

**Mega Lifesciences Public Company Limited  
and its Subsidiaries**

Financial statements for the year ended  
31 December 2013  
and  
Independent Auditor's Report

## **Independent Auditor's Report**

### **To the Shareholders of Mega Lifesciences Public Company Limited**

I have audited the accompanying consolidated and separate financial statements of Mega Lifesciences Public Company Limited and its subsidiaries (the "Group"), and of Mega Lifesciences Public Company Limited (the "Company"), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2013, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated and Separate Financial Statements*

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

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

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

*Opinion*

In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying my opinion, I draw attention to note 3 to the financial statements describing the effect of the Group's adoption from 1 January 2013 of certain new accounting policies. The corresponding figures presented are based on the audited financial statements as at and for the year ended 31 December 2012 after making the adjustments described in note 3.

(Wilai Buranakittisophon)  
Certified Public Accountant  
Registration No. 3920

KPMG Phoomchai Audit Ltd.  
Bangkok  
25 February 2014

## Mega Lifesciences Public Company Limited and its Subsidiaries

### Statement of financial position

Assets	Note	Consolidated financial statements			Separate financial statements		
		31 December 2013	31 December 2012 (Restated)	1 January 2012 (Restated)	31 December 2013	31 December 2012 (Restated)	1 January 2012 (Restated)
<i>(in Baht)</i>							
<b>Current assets</b>							
Cash and cash equivalents	6	1,540,308,733	353,785,752	329,973,064	1,119,123,054	3,465,365	3,517,784
Trade accounts receivable	5, 7	1,724,242,929	1,287,973,198	1,386,193,526	529,761,670	509,398,817	323,085,007
Short-term loan to related party	5	-	-	-	400,000,000	-	-
Other receivables	5, 8	174,011,688	115,652,334	99,218,711	56,193,183	7,383,455	12,718,008
Inventories	9	1,684,925,215	1,442,022,580	904,161,388	503,240,866	339,643,793	275,495,717
Advances to suppliers and distributors		101,804,248	82,379,032	112,624,431	29,956,583	24,291,417	25,577,210
<b>Total current assets</b>		<b>5,225,292,813</b>	<b>3,281,812,896</b>	<b>2,832,171,120</b>	<b>2,638,275,356</b>	<b>884,182,847</b>	<b>640,393,726</b>
<b>Non-current assets</b>							
Investments in associate	10	-	-	-	-	-	-
Investments in subsidiaries	11	-	-	-	52,162,300	52,162,300	52,162,300
Restricted deposits at financial institutions	15	10,625,886	17,600,580	17,842,114	195,829	189,285	189,285
Property, plant and equipment	12	969,507,463	733,170,597	368,464,198	606,629,623	394,825,939	265,132,452
Intangible assets	13	213,015,703	8,926,403	5,678,787	188,751,654	4,041,934	4,862,281
Prepayment for trademark	13	-	185,398,986	-	-	185,398,986	-
Deferred tax assets	3, 14	79,248,418	84,902,118	62,174,330	17,986,895	7,706,958	5,796,666
Other non-current assets		38,162,827	19,765,654	3,492,799	27,440,000	-	-
<b>Total non-current assets</b>		<b>1,310,560,297</b>	<b>1,049,764,338</b>	<b>457,652,228</b>	<b>893,166,301</b>	<b>644,325,402</b>	<b>328,142,984</b>
<b>Total assets</b>		<b>6,535,853,110</b>	<b>4,331,577,234</b>	<b>3,289,823,348</b>	<b>3,531,441,657</b>	<b>1,528,508,249</b>	<b>968,536,710</b>

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

# Mega Lifesciences Public Company Limited and its Subsidiaries

## Statement of financial position

Liabilities and equity	Note	Consolidated financial statements			Separate financial statements		
		31 December 2013	31 December 2012 (Restated)	1 January 2012 (Restated)	31 December 2013	31 December 2012 (Restated)	1 January 2012 (Restated)
<i>(in Baht)</i>							
<b>Current liabilities</b>							
Bank overdrafts and short-term loans from financial institutions	15	709,424,825	771,204,319	711,545,191	349,465,827	394,610,615	289,681,119
Trade accounts payable	5, 16	1,144,738,036	768,912,348	787,144,532	148,152,275	171,800,514	166,314,594
Other payables	5, 17	201,759,400	192,289,657	67,461,456	42,396,973	34,976,384	11,312,030
Short-term loan from and interest payable to related party	5	-	-	-	2,602,999	2,554,670	2,549,277
Current portion of long-term loans from financial institutions	15	75,019,193	79,759,543	20,255,000	44,020,398	60,455,895	20,255,000
Current portion of finance lease liabilities	15	246,818	502,872	1,195,304	47,462	59,858	93,734
Income tax payable		52,883,553	89,856,370	69,821,304	7,057,043	10,361,945	13,445,232
Accrued expenses		363,334,925	300,329,154	242,037,947	78,962,288	30,883,656	25,489,953
<b>Total current liabilities</b>		<b>2,547,406,750</b>	<b>2,202,854,263</b>	<b>1,899,460,734</b>	<b>672,705,265</b>	<b>705,703,537</b>	<b>529,140,939</b>
<b>Non-current liabilities</b>							
Long-term loans from financial institutions	15	211,798,744	346,525,457	4,430,000	131,665,802	242,719,105	4,430,000
Finance lease liabilities	15	435,097	327,065	539,481	196,290	219,618	-
Deferred tax liabilities	3, 14	2,959,838	746,746	130,825	-	-	-
Employee benefits obligation	18	78,586,489	68,570,447	64,912,624	43,520,099	36,884,883	31,513,122
Other non-current liabilities		2,092,810	2,157,300	2,036,100	-	-	-
<b>Total non-current liabilities</b>		<b>295,872,978</b>	<b>418,327,015</b>	<b>72,049,030</b>	<b>175,382,191</b>	<b>279,823,606</b>	<b>35,943,122</b>
<b>Total liabilities</b>		<b>2,843,279,728</b>	<b>2,621,181,278</b>	<b>1,971,509,764</b>	<b>848,087,456</b>	<b>985,527,143</b>	<b>565,084,061</b>
<b>Equity</b>							
Share capital:	19						
Authorised share capital		436,950,941	67,056,190	67,056,190	436,950,941	67,056,190	67,056,190
Issued and paid-up share capital		432,624,304	67,056,190	67,056,190	432,624,304	67,056,190	67,056,190
Additional paid in capital:							
Premium on ordinary shares	19	2,138,103,988	-	-	2,138,103,988	-	-
Retained earnings							
Appropriated							
Legal reserve	20	49,087,570	13,113,644	13,113,644	43,695,055	7,721,129	7,721,129
Unappropriated		1,212,726,282	1,743,899,512	1,311,034,873	68,930,854	468,203,787	328,675,330
Other components of equity	20	-139,981,097	-137,054,929	(95,538,736)	-	-	-
<b>Equity attributable to owners of the Company</b>		<b>3,692,561,047</b>	<b>1,687,014,417</b>	<b>1,295,665,971</b>	<b>2,683,354,201</b>	<b>542,981,106</b>	<b>403,452,649</b>
Non-controlling interests		12,335	23,381,539	22,647,613	-	-	-
<b>Total equity</b>		<b>3,692,573,382</b>	<b>1,710,395,956</b>	<b>1,318,313,584</b>	<b>2,683,354,201</b>	<b>542,981,106</b>	<b>403,452,649</b>
<b>Total liabilities and equity</b>		<b>6,535,853,110</b>	<b>4,331,577,234</b>	<b>3,289,823,348</b>	<b>3,531,441,657</b>	<b>1,528,508,249</b>	<b>968,536,710</b>

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

# Mega Lifesciences Public Company Limited and its Subsidiaries

## Statement of comprehensive income

		Consolidated financial statements		Separate financial statements	
		For the year ended		For the year ended	
		31 December		31 December	
Note	2013	2012	2013	2012	
		(Restated)		(Restated)	
		(in Baht)			
<b>Income</b>					
Revenue from sales of goods and rendering of services	21, 26	7,033,531,101	5,964,777,192	1,730,577,406	1,437,162,501
Investment income	11	-	-	649,053,265	140,000,000
Net foreign exchange gain		38,833,508	10,664,297	13,862,568	1,017,442
Other income		23,138,057	57,873,156	11,196,311	14,185,021
<b>Total income</b>		<b>7,095,502,666</b>	<b>6,033,314,645</b>	<b>2,404,689,550</b>	<b>1,592,364,964</b>
<b>Expenses</b>					
Cost of sales of goods and rendering of services	9, 21, 23	4,074,093,677	3,331,451,839	1,132,951,544	1,108,770,629
Selling expenses	23	1,372,617,644	1,153,049,660	230,318,882	32,247,440
Administrative expenses	23	863,141,459	826,967,260	233,087,294	132,092,079
Finance costs	24	28,229,139	23,548,556	15,098,327	13,276,030
<b>Total expenses</b>		<b>6,338,081,919</b>	<b>5,335,017,315</b>	<b>1,611,456,047</b>	<b>1,286,386,178</b>
<b>Profit before income tax expense</b>		<b>757,420,747</b>	<b>698,297,330</b>	<b>793,233,503</b>	<b>305,978,786</b>
Income tax expense	25	-133,394,463	-119,079,400	-8,727,916	-21,608,959
<b>Profit for the year</b>	21	<b>624,026,284</b>	<b>579,217,930</b>	<b>784,505,587</b>	<b>284,369,827</b>
<b>Other comprehensive income</b>					
Foreign currency translation differences for foreign operations		2,330,369	-42,284,108	-	-
<b>Other comprehensive income for the year</b>		<b>2,330,369</b>	<b>-42,284,108</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>626,356,653</b>	<b>536,933,822</b>	<b>784,505,587</b>	<b>284,369,827</b>
<b>Profit attributable to:</b>					
Owners of the Company		624,015,532	577,716,089	784,505,587	284,369,827
Non-controlling interests		10,752	1,501,841	-	-
<b>Profit for the year</b>		<b>624,026,284</b>	<b>579,217,930</b>	<b>784,505,587</b>	<b>284,369,827</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		628,654,208	536,199,896	784,505,587	284,369,827
Non-controlling interest		-2,297,555	733,926	-	-
<b>Total comprehensive income for the year</b>		<b>626,356,653</b>	<b>536,933,822</b>	<b>784,505,587</b>	<b>284,369,827</b>
<b>Basic and diluted earnings per share</b>	27	<b>0.84</b>	<b>0.79</b>	<b>1.05</b>	<b>0.39</b>

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

## Mega Lifesciences Public Company Limited and its Subsidiaries

### Statement of changes in equity

	Note	Consolidated financial statements							
		Retained earnings			Other component of equity				
		Issued and paid-up share capital	Legal reserve	Unappropriated	Currency translation differences	Total other components of equity	Equity attributable to owners of the Company	Non-controlling interests	Total equity
<i>(in Baht)</i>									
<b>Year ended 31 December 2012</b>									
<b>Balance at 1 January 2012 - as reported</b>		<b>67,056,190</b>	<b>13,113,644</b>	<b>1,248,991,368</b>	<b>(95,538,736)</b>	<b>(95,538,736)</b>	<b>1,233,622,466</b>	<b>22,647,613</b>	<b>1,256,270,079</b>
Impact of change in accounting policy	3	-	-	62,043,505	-	-	62,043,505	-	62,043,505
<b>Balance at 1 January 2012 - restated</b>		<b>67,056,190</b>	<b>13,113,644</b>	<b>1,311,034,873</b>	<b>(95,538,736)</b>	<b>(95,538,736)</b>	<b>1,295,665,971</b>	<b>22,647,613</b>	<b>1,318,313,584</b>
<b>Transactions with owners, recorded directly in equity</b>									
Dividends to owners of the Company	28	-	-	(144,851,450)	-	-	(144,851,450)	-	(144,851,450)
<b>Total transactions with owners, recorded directly in equity</b>		<b>-</b>	<b>-</b>	<b>(144,851,450)</b>	<b>-</b>	<b>-</b>	<b>(144,851,450)</b>	<b>-</b>	<b>(144,851,450)</b>
<b>Comprehensive income for the year</b>									
Profit - restated		-	-	577,716,089	-	-	577,716,089	1,501,841	579,217,930
Foreign currency translation differences		-	-	-	(41,516,193)	(41,516,193)	(41,516,193)	(767,915)	(42,284,108)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>577,716,089</b>	<b>(41,516,193)</b>	<b>(41,516,193)</b>	<b>536,199,896</b>	<b>733,926</b>	<b>536,933,822</b>
<b>Balance at 31 December 2012</b>		<b>67,056,190</b>	<b>13,113,644</b>	<b>1,743,899,512</b>	<b>(137,054,929)</b>	<b>(137,054,929)</b>	<b>1,687,014,417</b>	<b>23,381,539</b>	<b>1,710,395,956</b>

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

**Mega Lifesciences Public Company Limited and its Subsidiaries**

**Statement of changes in equity**

	<b>Consolidated financial statements</b>									
	Note	Issued and paid-up share capital	Share premium	Retained earnings		Other component of equity		Equity attributable to owners of the Company	Non-controlling interests	Total equity
				Legal reserve	Unappropriated	Currency translation differences	Total other components of equity			
<i>(in Baht)</i>										
<b>Year ended 31 December 2013</b>										
<b>Balance at 1 January 2013 - as reported</b>		<b>67,056,190</b>	-	<b>13,113,644</b>	<b>1,659,744,140</b>	<b>(137,054,929)</b>	<b>(137,054,929)</b>	<b>1,602,859,045</b>	<b>23,381,539</b>	<b>1,626,240,584</b>
Impact of change in accounting policy	3	-	-	-	84,155,372	-	-	84,155,372	-	84,155,372
<b>Balance at 1 January 2013 - restated</b>		<b>67,056,190</b>	-	<b>13,113,644</b>	<b>1,743,899,512</b>	<b>(137,054,929)</b>	<b>(137,054,929)</b>	<b>1,687,014,417</b>	<b>23,381,539</b>	<b>1,710,395,956</b>
<b>Transactions with owners, recorded directly in equity</b>										
<i>Contributions by and distributions to owners of the Company</i>										
Issue of ordinary shares	19	65,568,504	2,206,385,936	-	-	-	-	2,271,954,440	-	2,271,954,440
Transaction costs from issue of shares	19	-	(68,281,948)	-	-	-	-	(68,281,948)	-	(68,281,948)
Issue of ordinary shares for stock dividends	19, 28	299,999,610	-	-	(299,999,610)	-	-	-	-	-
Dividends to owners of the Company	28	-	-	-	(847,851,719)	-	-	(847,851,719)	-	(847,851,719)
<b>Total contributions by and distributions to owners of the Company</b>		<b>365,568,114</b>	<b>2,138,103,988</b>	-	<b>(1,147,851,329)</b>	-	-	<b>1,355,820,773</b>	-	<b>1,355,820,773</b>
<i>Changes in ownership interests in subsidiaries</i>										
Acquisition of non-controlling interests without a change in control	11	-	-	-	28,636,493	(7,564,844)	(7,564,844)	21,071,649	(21,071,649)	-
<b>Total changes in ownership interests in subsidiaries</b>		-	-	-	<b>28,636,493</b>	<b>(7,564,844)</b>	<b>(7,564,844)</b>	<b>21,071,649</b>	<b>(21,071,649)</b>	-
<b>Total transactions with owners, recorded directly in equity</b>		<b>365,568,114</b>	<b>2,138,103,988</b>	-	<b>(1,119,214,836)</b>	<b>(7,564,844)</b>	<b>(7,564,844)</b>	<b>1,376,892,422</b>	<b>(21,071,649)</b>	<b>1,355,820,773</b>
<b>Comprehensive income for the year</b>										
Profit		-	-	-	624,015,532	-	-	624,015,532	10,752	624,026,284
Foreign currency translation differences		-	-	-	-	4,638,676	4,638,676	4,638,676	(2,308,307)	2,330,369
<b>Total comprehensive income for the year</b>		-	-	-	<b>624,015,532</b>	<b>4,638,676</b>	<b>4,638,676</b>	<b>628,654,208</b>	<b>(2,297,555)</b>	<b>626,356,653</b>
<b>Transfer to legal reserve</b>	20	-	-	35,973,926	(35,973,926)	-	-	-	-	-
<b>Balance at 31 December 2013</b>		<b>432,624,304</b>	<b>2,138,103,988</b>	<b>49,087,570</b>	<b>1,212,726,282</b>	<b>(139,981,097)</b>	<b>(139,981,097)</b>	<b>3,692,561,047</b>	<b>12,335</b>	<b>3,692,573,382</b>

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



## Mega Lifesciences Public Company Limited and its Subsidiaries

### Statement of changes in equity

	Note	Separate financial statements			Total equity
		Issued and paid-up share capital	Legal reserve	Retained earnings Unappropriated (in Baht)	
<b>Year ended 31 December 2012</b>					
<b>Balance at 1 January 2012 - as reported</b>		<b>67,056,190</b>	<b>7,721,129</b>	<b>322,878,664</b>	<b>397,655,983</b>
Impact of change in accounting policy	3	-	-	5,796,666	5,796,666
<b>Balance at 1 January 2012 - restated</b>		<b>67,056,190</b>	<b>7,721,129</b>	<b>328,675,330</b>	<b>403,452,649</b>
<b>Transactions with owners, recorded directly in equity</b>					
Dividends to owners of the Company	28	-	-	-144,841,370	(144,841,370)
<b>Total transactions with owners, recorded directly in equity</b>		<b>-</b>	<b>-</b>	<b>(144,841,370)</b>	<b>(144,841,370)</b>
<b>Comprehensive income for the year</b>					
Profit - restated		-	-	284,369,827	284,369,827
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>284,369,827</b>	<b>284,369,827</b>
<b>Balance at 31 December 2012</b>		<b>67,056,190</b>	<b>7,721,129</b>	<b>468,203,787</b>	<b>542,981,106</b>

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

## Mega Lifesciences Public Company Limited and its Subsidiaries

### Statement of changes in equity

	Note	Separate financial statements			Total equity	
		Issued and paid-up share capital	Share premium	Retained earnings		
				Legal reserve (in Baht)	Unappropriated	
<b>Year ended 31 December 2013</b>						
<b>Balance at 1 January 2013 - as reported</b>		<b>67,056,190</b>	-	<b>7,721,129</b>	<b>460,496,829</b>	<b>535,274,148</b>
Impact of change in accounting policy	3	-	-	-	7,706,958	7,706,958
<b>Balance at 1 January 2013 - restated</b>		<b>67,056,190</b>	-	<b>7,721,129</b>	<b>468,203,787</b>	<b>542,981,106</b>
<b>Transactions with owners, recorded directly in equity</b>						
Issue of ordinary shares	19	65,568,504	2,206,385,936	-	-	2,271,954,440
Transaction costs from issue of shares	19	-	(68,281,948)	-	-	(68,281,948)
Issue of ordinary shares for stock dividends	19, 28	299,999,610	-	-	-299,999,610	-
Dividends to owners of the Company	28	-	-	-	-847,804,984	(847,804,984)
<b>Total transactions with owners, recorded directly in equity</b>		<b>365,568,114</b>	<b>2,138,103,988</b>	<b>-</b>	<b>(1,147,804,594)</b>	<b>1,355,867,508</b>
<b>Comprehensive income for the year</b>						
Profit		-	-	-	784,505,587	784,505,587
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>784,505,587</b>	<b>784,505,587</b>
Transfer to legal reserve	20	-	-	35,973,926	(35,973,926)	-
<b>Balance at 31 December 2013</b>		<b>432,624,304</b>	<b>2,138,103,988</b>	<b>43,695,055</b>	<b>68,930,854</b>	<b>2,683,354,201</b>

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

## Mega Lifesciences Public Company Limited and its Subsidiaries

### Statement of cash flows

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	For the year ended		For the year ended	
	31 December		31 December	
	2013	2012	2013	2012
		(Restated)		(Restated)
	<i>(in Baht)</i>			
<b><i>Cash flows from operating activities</i></b>				
Profit for the year	624,026,284	579,217,930	784,505,587	284,369,827
<b><i>Adjustments for</i></b>				
Depreciation	95,057,581	74,463,914	44,853,586	38,749,130
Amortisation of intangible assets	3,827,923	1,972,457	824,207	820,347
Allowance (reversal) for decline in value of inventories	(829,592)	4,178,968	(2,449,183)	4,079,764
Investment income	-	-	(649,053,265)	(140,000,000)
Finance costs	28,229,139	23,548,556	15,098,327	13,276,030
Allowance for doubtful accounts	1,089,865	964,213	-	-
Unrealised (gain) loss on exchange rate	(40,221,366)	(52,909,954)	(7,063,610)	692,581
(Gain) loss on disposal of property, plant and equipment	(2,022,014)	1,362,977	(467,289)	152,781
Employee benefit obligations	11,004,519	14,177,458	6,701,144	5,763,180
Income tax expense	133,394,463	119,079,400	8,727,916	21,608,959
	<u>853,556,802</u>	<u>766,055,919</u>	<u>201,677,420</u>	<u>229,512,599</u>
<b><i>Changes in operating assets and liabilities</i></b>				
Trade accounts receivable	-306,858,196	68,877,951	-2,031,568	-188,487,756
Other receivables	-48,434,182	-15,876,181	-44,029,452	5,334,553
Inventories	-225,270,953	-542,040,160	-161,147,896	-68,227,840
Advances to suppliers and distributors	-29,380,406	30,245,399	-5,665,166	1,285,793
Restricted deposits at financial institutions	7,472,077	241,534	-6,544	-
Other non-current assets	8,640,884	-17,596,675	-	-
Trade accounts payable	323,860,399	3,120,848	-24,840,333	6,096,899
Other payables	-8,933,306	122,931,317	(5,720,807)	23,694,447
Accrued expenses	53,286,786	58,000,308	48,151,821	5,204,081
Other non-current liabilities	-	121,200	-	-
Employee benefit obligations paid	-111,340	(10,348,255)	-65,928	-391,419
Income taxes paid	-162,062,414	-121,713,657	-22,312,755	-26,602,538
<b>Net cash from (used in) operating activities</b>	<b><u>465,766,151</u></b>	<b><u>342,019,548</u></b>	<b><u>-15,991,208</u></b>	<b><u>-12,581,181</u></b>

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

# Mega Lifesciences Public Company Limited and its Subsidiaries

## Statement of cash flows

	Consolidated		Separate	
	financial statements		financial statements	
	For the year ended		For the year ended	
	31 December		31 December	
Note	2013	2012	2013	2012
		(Restated)		(Restated)
	<i>(in Baht)</i>			
<b><i>Cash flows from investing activities</i></b>				
Interest received	3,349,599	1,532,909	1,776,512	-
Dividend received	-	-	649,053,265	140,000,000
Purchase of property, plant and equipment	(352,001,041)	(438,943,071)	(256,657,269)	(168,248,895)
Prepayment for land	(27,440,000)	-	(27,440,000)	-
Purchase of intangible assets	(22,524,682)	(5,214,708)	(134,940)	-
Sale of equipment	2,367,671	2,452,987	467,290	-
Prepayment for trademark	-	-185,398,986	-	-185,398,986
<b>Net cash from (used in) investing activities</b>	<b>(396,248,453)</b>	<b>(625,570,869)</b>	<b>367,064,858</b>	<b>(213,647,881)</b>
<b><i>Cash flows from financing activities</i></b>				
Finance costs paid	(35,064,729)	(24,836,902)	(20,572,581)	(13,081,015)
Dividends paid	(846,194,354)	(144,851,450)	(846,147,619)	(144,841,370)
Finance lease payments	(716,061)	(904,848)	(35,725)	(160,761)
(Decrease) increase in bank overdrafts and short-term loans from financial institutions	(71,797,671)	72,608,433	(45,024,446)	106,496,562
Short-term loan to subsidiary	-	-	(400,000,000)	-
Proceeds from borrowings	137,862,000	421,855,000	137,862,000	298,019,000
Repayment of borrowings	(296,621,530)	(20,255,000)	(276,931,370)	(20,255,000)
Proceeds from issue of ordinary shares	2,271,954,450	-	2,271,954,440	-
Transaction costs from issue of shares	(56,520,660)	-	(56,520,660)	-
<b>Net cash from financing activities</b>	<b>1,102,901,445</b>	<b>303,615,233</b>	<b>764,584,039</b>	<b>226,177,416</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,172,419,143</b>	<b>20,063,912</b>	<b>1,115,657,689</b>	<b>(51,646)</b>
Cash and cash equivalents at 1 January	353,785,752	329,973,064	3,465,365	3,517,784
Effect of exchange rate changes on balances held in foreign currency	14,103,838	3,748,776	-	(773)
<b>Cash and cash equivalents at 31 December</b>	<b>6 1,540,308,733</b>	<b>353,785,752</b>	<b>1,119,123,054</b>	<b>3,465,365</b>
<b><i>Non-cash transactions</i></b>				
Issue shares for dividends payment	19, 28	299,999,610	-	299,999,610

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

# Mega Lifesciences Public Company Limited and its Subsidiaries

## Notes to the financial statements

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# Mega Lifesciences Public Company Limited and its Subsidiaries

## Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 25 February 2014.

### 1 General information

Mega Lifesciences Public Company Limited, “the Company”, is incorporated in Thailand and has its registered office at No. 384, Moo 4, Bangpoo Industrial Estate, Praksa, Muang - Samutprakarn, Samutprakarn, Thailand.

The Company has representative offices in Vietnam, Uganda, Ukraine and representative offices under Mega Lifesciences PTY Limited, a subsidiary, in Sri Lanka, Vietnam, Myanmar, Indonesia, Uzbekistan, Ukraine, Malaysia, Philippines, Kenya, India, Russia, Kazakhstan and Ghana.

The immediate and ultimate holding company during the financial year was Unistretch Limited, which is incorporated in Thailand.

On 14 March 2013, the Company registered under the provisions of Public Limited Companies Act with the Department of Business Development, Ministry of Commerce and changed its name to Mega Lifesciences Public Company Limited.

The Company was listed on the Stock Exchange of Thailand on 19 November 2013.

The principal activities of the Group are the manufacture and sale through independent distributors of health food supplements, branded prescription pharmaceutical products, over-the-counter products, herbal products, vitamins and fast moving consumer goods as well as the provision of distribution services relating to such products.

Currently, the Group is a leading distributor in developing countries with high growth trends such as Myanmar, Vietnam, and Cambodia. Details of the Company’s associate and subsidiaries as at 31 December 2013 are given in notes 5, 10 and 11.

### 2 Basis of preparation of the financial statements

#### (a) *Statement of compliance*

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (“FAP”); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The FAP has issued the following new and revised TFRS relevant to the Group’s operations and effective for accounting periods beginning on or after 1 January 2013

TFRS	Topic
TAS 12	Income Taxes
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates
TFRS 8	Operating Segments

The adoption of these new and revised TFRS has resulted in changes in the Group’s accounting policies. The effects of these changes are disclosed in note 3.

# Mega Lifesciences Public Company Limited and its Subsidiaries

## Notes to the financial statements

In addition to the above new and revised TFRS, as at 31 December 2013 the FAP had issued a number of new and revised TFRS which are effective for financial statements beginning on or after 1 January 2014 and have not been adopted in the preparation of these interim financial statements. Those new and revised TFRS are disclosed in note 32.

### (b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except as stated in the accounting policies.

### (c) *Functional and Presentation currency*

The financial statements are presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

### (d) *Use of estimates and judgements*

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 4(q)	Current and deferred taxation
Note 18	Measurement of defined benefit obligations
Note 29	Valuation of financial instruments

## 3 **Changes in accounting policies**

### (a) *Overview*

From 1 January 2013, consequent to the adoption of new and revised TFRS as set out in note 2, the Group has changed its accounting policies in the following areas:

- Accounting for income tax
- Accounting for the effects of changes in foreign exchange rates
- Presentation of information on operating segments

Details of the new accounting policies adopted by the Group are included in notes 3(b) to 3(d) below. Other new and revised TFRS did not have any impact on the accounting policies, financial position or performance of the Group.

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**(b) Accounting for income tax**

The principal change introduced by TAS 12 is the requirement to account for deferred tax liabilities and assets in the financial statements. Deferred tax liabilities and assets are the amounts of income taxes payable and recoverable, respectively, in future periods in respect of temporary differences between the carrying amount of the liability or asset in the statement of financial position and the amount attributed to that liability or asset for tax purposes; and the carryforward of unused tax losses. The accounting policy for deferred tax is described in note 4(q).

The Group adopted TAS 12 with effect from 1 January 2013. The effects of the change are recognised retrospectively in the financial statements. The impact of the change on the financial statements is as follows:

<i>Statement of financial position as at</i>	<b>Consolidated financial statements</b>			<b>Separate financial statements</b>		
	31	31	1	31	31	1
	December 2013	December 2012	January 2012	December 2013	December 2012	January 2012
	<i>(in thousand Baht)</i>					
Increase in deferred tax assets	79,248	84,902	62,174	17,987	7,707	5,797
Increase in deferred tax liabilities	(2,960)	(747)	(131)	-	-	-
Increase in retained earnings	76,288	84,155	62,043	17,987	7,707	5,797

<i>Statement of comprehensive income for the year ended 31 December</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
(Increase) decrease in income tax expense	(7,867)	22,112	10,280	1,910
<b>Increase (decrease) in profit for the year</b>	<b>(7,867)</b>	<b>22,112</b>	<b>10,280</b>	<b>1,910</b>
<b>Increase (decrease) in earnings per share</b>				
- Basic earnings per share <i>(in Baht)</i>	<b>(0.01)</b>	<b>0.03</b>	<b>0.01</b>	<b>0.00</b>

**(c) Accounting for the effects of changes in foreign exchange rates**

Beginning 1 January 2013, the Group adopted TAS 21(revised 2009) - Accounting for the effects of changes in foreign exchange rates.

The principal change introduced by TAS 21(revised 2009) is the introduction of the concept of functional currency, which is defined as the currency of the primary economic environment in which the entity operates. TAS 21(revised 2009) requires the entity to determine its functional currency and translate foreign currency items into its functional currency, reporting the effects of such translation in accordance with the provisions of TAS 21(revised 2009). Foreign currencies are defined by TAS 21 (revised 2009) as all currencies other than the entity's functional currency.

Management has determined that the functional currency of the Company is Thai Baht and that the adoption of TAS 21(revised 2009) from 1 January 2013 has not had a significant impact on the Group's reported assets, liabilities or retained earnings.



# **Mega Lifesciences Public Company Limited and its Subsidiaries**

## **Notes to the financial statements**

### **(d) Presentation of information on operating segments**

Beginning 1 January 2013, the Group adopted TFRS 8 - Operating Segments. The new policy for presentation of information on operating segments, together with information on the previous policy, is given below. The new policy has been applied retrospectively and segment information included in the 2012 financial statements, which are included in the Group's 2013 financial statements for comparative purposes, has been re-presented accordingly. The change in policy only impacts presentational aspects and has no impact on the Group's reported assets, liabilities, results or earnings per share.

TFRS 8 introduces the "management approach" to segment reporting. It requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to those segments. Previously the Group presented segment information in respect of its business and geographical segments in accordance with TAS 14 Segment Reporting.

The change in basis of presentation and disclosure of segment information has had no significant effect on the segment information reported in the Group's financial statements.

## **4 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 3, which addresses changes in accounting policies.

### **(a) Basis of consolidation**

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

#### *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interest even if doing so causes the non-controlling interest to have a deficit balance.

#### *Associates*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for in the consolidated financial statements using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

## **Mega Lifesciences Public Company Limited and its Subsidiaries**

### **Notes to the financial statements**

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of equity accounted investees from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount of that interest is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

#### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### **(b) Foreign currencies**

##### *Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency using the foreign exchange rates ruling at the dates of the transactions.

##### *Foreign operations*

The assets and liabilities of foreign operations are translated to Thai Baht at the foreign exchange rates ruling at the reporting date.

The revenues and expenses of foreign operations are translated to Thai Baht at rates approximating the foreign exchange rates ruling at the dates of transactions.

Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity until disposal of the investments.

#### **(c) Cash and cash equivalents**

Cash and cash equivalents in the statements of cash flows comprise cash balances, call deposits and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

#### **(d) Trade and other accounts receivable**

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

# **Mega Lifesciences Public Company Limited and its Subsidiaries**

## **Notes to the financial statements**

### **(e) Inventories**

Inventories are measured at the lower of cost and net realisable value.

Cost of inventories is calculated using the weighted average cost and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

### **(f) Investments**

#### *Investments in associates and subsidiaries*

Investments in associates and subsidiaries in the separate financial statements of the Company are accounted for using the cost method. Investments in associates in the consolidated financial statements are accounted for using the equity method.

#### *Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

### **(g) Property, plant and equipment**

#### *Recognition and measurement*

#### *Owned assets*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net in profit or loss.

# Mega Lifesciences Public Company Limited and its Subsidiaries

## Notes to the financial statements

### *Leased assets*

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

### *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### *Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to the profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Land improvements	10 years
Building	20 years
Building improvements	10 years
Leasehold improvements	3 - 10 years
Machinery and equipment	3 - 13 years
Furniture, fixtures and office equipment	2 - 13 years
Vehicles	4 - 10 years

No depreciation is provided on freehold land and assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### **(h) *Intangible assets***

#### *Computer software*

Computer software that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortisation and accumulated impairment losses.

#### *Trademarks*

Trademarks are classified under intangible assets. Trademarks that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Trademarks that have infinite useful lives are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

# Mega Lifesciences Public Company Limited and its Subsidiaries

## Notes to the financial statements

### *Amortisation*

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Computer software	3 - 10 years
-------------------	--------------

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### **(i) Impairment**

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognised in profit or loss.

### *Calculation of recoverable amount*

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

### *Reversals of impairment*

Impairment losses recognised in prior periods in respect of non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **(j) Interest-bearing liabilities**

Interest-bearing liabilities are recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

### **(k) Trade and other accounts payable**

Trade and other accounts payable are stated at cost.

# Mega Lifesciences Public Company Limited and its Subsidiaries

## Notes to the financial statements

### (l) *Employee benefits*

#### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (provident fund) and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

#### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the current yield of long term government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed by a qualified actuary using the projected unit credit method.

The Group recognises all actuarial gains and losses arising from defined benefit and all expenses related to defined benefit plans in profit or loss.

#### *Termination benefits*

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

#### *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### (m) *Provisions*

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

# Mega Lifesciences Public Company Limited and its Subsidiaries

## Notes to the financial statements

### (n) *Revenue*

Revenue excludes value added taxes and other sales taxes and is arrived at after deduction of trade discounts.

#### *Sale of goods and services rendered*

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods. Service income is recognised as services are provided.

#### *Investments*

Revenue from investments comprises dividend and interest income from investments and bank deposits.

#### *Dividend income*

Dividend income is recognised in profit or loss on the date the Group's right to receive payments is established.

#### *Interest income*

Interest income is recognised in profit or loss as it accrues.

### (o) *Finance costs*

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### (p) *Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

#### *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

## **Mega Lifesciences Public Company Limited and its Subsidiaries**

### **Notes to the financial statements**

#### **(q) *Income tax***

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **(r) *Earnings per share***

The Group presents basic per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.



# Mega Lifesciences Public Company Limited and its Subsidiaries

## Notes to the financial statements

### (s) *Segment reporting*

Segment results that are reported to the Group's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other administrative expense and income tax expense.

## 5 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with subsidiaries and associates are described in notes 10 and 11. Relationships with key management and other related parties were as follows:

<b>Name of entities</b>	<b>Country of incorporation/ nationality</b>	<b>Nature of relationships</b>
Unistretch Limited	Thailand	Ultimate parent of the Group
Al-Mayoni For Trading Services Ltd.	Yemen	Common shareholders
Ambika Tours Agency Limited	Thailand	Common shareholders
InsurExcellence Insurance Brokers Ltd.	Thailand	Common shareholders
Linaria Chemical (Thailand) Limited	Thailand	Common shareholders
Mechai Pattana School	Thailand	Common Chairman
SS-KS International (Canada) Inc.	Canada	Common Director
Rupin International (Canada) Inc.	Canada	Common Director
Key management personnel		Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group.

The pricing policies for particular types of transactions are explained further below:

<b>Transactions</b>	<b>Pricing policies</b>
Sale of goods and rendering of service	Market price minus margin
Purchase of goods and raw materials	Cost plus margin
Interest income and interest expense	Agreed rates stipulated in the agreements
Other income and other expenses	Contractually agreed prices

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

Significant transactions for the years ended 31 December with related parties were as follows:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
Sale of goods and rendering of service	-	-	919,962	1,126,512
Purchase of goods or receiving of service	-	-	23,657	44,904
Commission expense	-	-	-	4,420
Interest expense	-	-	48	55
Interest income	-	-	3,210	-
Other income	-	-	549	537
<b>Key management personnel</b>				
Key management personnel compensation				
Short-term employee benefit	101,232	130,233	28,164	28,996
Post-employment benefits	1,241	2,092	840	1,704
<b>Total key management personnel Compensation</b>	<b>102,473</b>	<b>132,325</b>	<b>29,004</b>	<b>30,700</b>
<b>Directors' remuneration</b>	<b>7,440</b>	<b>-</b>	<b>7,440</b>	<b>-</b>
<b>Other related parties</b>				
Sale of goods	38,303	36,099	38,303	36,099
Purchase of goods or receiving of services	39,662	47,011	7,197	4,818
Commission income	1,184	980	-	-

Balances as at 31 December with related parties were as follows:

<i>Trade accounts receivable - related parties</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	237,506	398,117
Other related parties	55,883	37,801	55,883	37,802
<b>Total</b>	<b>55,883</b>	<b>37,801</b>	<b>293,389</b>	<b>435,919</b>

<i>Other receivables - related parties</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	10,799	92
Other related parties	228	414	228	-
<b>Total</b>	<b>228</b>	<b>414</b>	<b>11,027</b>	<b>92</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

<i>Loans to related parties</i>	<b>Interest rate</b>		<b>Consolidated</b>		<b>Separate</b>	
	2013	2012	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
<i>Short-term loan</i>	<i>(% per annum)</i>		2013	2012	2013	2012
			<i>(in thousand Baht)</i>			
Subsidiary	1.75	-	-	-	400,000	-
<b>Short-term loan to related party</b>			<u>-</u>	<u>-</u>	<u><b>400,000</b></u>	<u>-</u>

Movements during the years ended 31 December of loans to related parties were as follows:

<i>Subsidiary</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
At 1 January	-	-	-	-
Increase	-	-	400,000	-
<b>At 31 December</b>	<u>-</u>	<u>-</u>	<u><b>400,000</b></u>	<u>-</u>

<i>Trade accounts payable - related parties</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	13,088	30,745
Other related parties	3,821	5,252	-	-
<b>Total</b>	<u><b>3,821</b></u>	<u><b>5,252</b></u>	<u><b>13,088</b></u>	<u><b>30,745</b></u>

<i>Other payable - related parties</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	9,813	25,339
Other related parties	275	643	-	-
<b>Total</b>	<u><b>275</b></u>	<u><b>643</b></u>	<u><b>9,813</b></u>	<u><b>25,339</b></u>

<i>Loan from related party</i>	<b>Interest rate</b>		<b>Consolidated</b>		<b>Separate</b>	
	2013	2012	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
<i>Short-term loan</i>	<i>(% per annum)</i>		2013	2012	2013	2012
			<i>(in thousand Baht)</i>			
Subsidiary	2.00-2.35	2.00-2.35	-	-	2,603	2,555
<b>Short-term loan from related party</b>			<u>-</u>	<u>-</u>	<u><b>2,603</b></u>	<u><b>2,555</b></u>

## Mega Lifesciences Public Company Limited and its Subsidiaries

### Notes to the financial statements

Movements during the years ended 31 December of loan from related party were as follows:

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
<b>Subsidiary</b>				
At 1 January	-	-	2,555	2,549
Increase	-	-	48	55
Decrease	-	-	-	(49)
<b>At 31 December</b>	<b>-</b>	<b>-</b>	<b>2,603</b>	<b>2,555</b>

#### *Significant agreements with related parties*

As at 31 December 2013 the Group had the following significant agreements with related parties.

#### *Supply agreement*

The Company has supply agreements with Mega Lifesciences (Australia) Pty. Limited, a subsidiary, whereby the Company agrees to manufacture and supply the product as per required specification and as per Good Manufacturing Practice (GMP). These agreements are effective on the agreement date and shall be terminated by either party giving at least 30 days notice in writing to the other party.

## 6 Cash and cash equivalents

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Cash on hand	19,210	5,657	8,466	1,091
Cash at banks - current accounts	436,670	346,948	28,345	2,374
Cash at banks - savings accounts	1,084,296	1,057	1,082,312	-
Highly liquid short-term investments	133	124	-	-
<b>Total</b>	<b>1,540,309</b>	<b>353,786</b>	<b>1,119,123</b>	<b>3,465</b>

The currency denomination of cash and cash equivalents as at 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
THB (Thailand)	1,257,077	94,555	1,113,807	1,754
USD (USA)	219,204	203,844	5,316	1,711
MMK (Myanmar)	22,274	17,445	-	-
VND (Vietnam)	18,548	7,545	-	-
GHS (Ghana)	5,341	706	-	-
NGN (Nigeria)	4,587	20,726	-	-
PEN (Peru)	2,806	4,327	-	-
AUD (Australia)	15	3,076	-	-
Others	10,457	1,562	-	-
<b>Total</b>	<b>1,540,309</b>	<b>353,786</b>	<b>1,119,123</b>	<b>3,465</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**7 Trade accounts receivable**

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
		<i>(in thousand Baht)</i>			
Related parties	5	55,883	37,801	293,389	435,919
Other parties		1,676,268	1,271,804	236,373	74,636
<b>Total</b>		<b>1,732,151</b>	<b>1,309,605</b>	<b>529,762</b>	<b>510,555</b>
Less allowance for doubtful accounts		(7,908)	(21,632)	-	(1,156)
<b>Net</b>		<b>1,724,243</b>	<b>1,287,973</b>	<b>529,762</b>	<b>509,399</b>
Bad and doubtful debts expense for the year		<b>1,090</b>	<b>964</b>	-	-

Aging analyses for trade accounts receivable are as follows:

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
<b>Related parties</b>				
Within credit terms	17,650	16,577	248,152	406,213
Overdue:				
Less than 3 months	9,559	9,330	14,970	13,991
3 - 6 months	14,883	9,673	16,151	13,494
6 - 12 months	13,791	2,221	14,116	2,221
	<b>55,883</b>	<b>37,801</b>	<b>293,389</b>	<b>435,919</b>
<b>Other parties</b>				
Within credit terms	982,844	673,339	119,450	12,087
Overdue:				
Less than 3 months	359,150	481,762	76,084	57,047
3 - 6 months	276,707	75,082	39,751	4,318
6 - 12 months	52,421	19,646	239	-
Over 12 months	5,146	21,975	849	1,184
	<b>1,676,268</b>	<b>1,271,804</b>	<b>236,373</b>	<b>74,636</b>
Less allowance for doubtful accounts	(7,908)	(21,632)	-	(1,156)
	<b>1,668,360</b>	<b>1,250,172</b>	<b>236,373</b>	<b>73,480</b>
<b>Net</b>	<b>1,724,243</b>	<b>1,287,973</b>	<b>529,762</b>	<b>509,399</b>

The normal credit term granted by the Group ranges from 30 days to 240 days.

The aging is calculated by counting the age of trade accounts receivable from the day the Group sells products and issues an invoice to the local importers or distributors. However, revenue is not recognised until such local importers or distributors complete the sale of products to the end consumers. Consequently, there is a time lag between when the aging is commenced and when the sale is recorded in sales. This results in an apparent high level of overdue trade accounts receivable.

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

The currency denomination of trade accounts receivable as at 31 December was as follows:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
USD (USA)	1,023,834	809,757	270,499	78,468
THB (Thailand)	439,086	361,748	234,466	411,035
VND (Vietnam)	94,482	21,388	-	-
AUD (Australia)	44,552	46,590	8,672	12,173
NGN (Nigeria)	31,949	27,556	-	-
EUR (Euro)	8,018	7,723	8,018	7,723
Others	82,322	13,211	8,107	-
<b>Total</b>	<b><u>1,724,243</u></b>	<b><u>1,287,973</u></b>	<b><u>529,762</u></b>	<b><u>509,399</u></b>

**8 Other receivables**

	<i>Note</i>	<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
		2013	2012	2013	2012
		<i>(in thousand Baht)</i>			
<b>Related parties</b>	<b>5</b>	<b><u>228</u></b>	<b><u>414</u></b>	<b><u>11,027</u></b>	<b><u>92</u></b>
<b>Other parties</b>					
Advance for operating expense		40,622	40,267	184	-
Value added tax receivable		35,474	15,561	23,994	-
Prepaid expenses		33,703	26,229	5,318	-
Deposit		21,492	5,168	2,089	-
Advance to directors and employees		13,476	11,640	1,978	1,325
Export tax rebate and refundable import duty		8,309	8,260	3,749	1,800
Others		20,708	8,113	7,854	4,166
		<u>173,784</u>	<u>115,238</u>	<u>45,166</u>	<u>7,291</u>
<b>Total</b>		<b><u>174,012</u></b>	<b><u>115,652</u></b>	<b><u>56,193</u></b>	<b><u>7,383</u></b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**9 Inventories**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Finished goods	1,356,128	1,106,140	250,173	66,732
Raw materials	176,539	200,461	150,938	174,722
Work in progress	60,106	41,386	53,152	37,869
Packing materials	40,058	45,242	36,016	41,698
Spare parts and supplies	1,002	276	-	-
Goods in transit	56,661	54,917	15,897	24,008
	<b>1,690,494</b>	<b>1,448,422</b>	<b>506,176</b>	<b>345,029</b>
<i>Less</i> allowance decline in value	(5,569)	(6,399)	(2,935)	(5,385)
<b>Net</b>	<b>1,684,925</b>	<b>1,442,023</b>	<b>503,241</b>	<b>339,644</b>
Inventories recognised as an expense in 'cost of sales of goods and rendering of services':				
- Cost	4,074,924	3,327,273	1,135,402	1,104,691
- Write-down to net realisable value	5,569	6,399	2,935	5,385
- Reversal of write-down	(6,399)	(2,220)	(5,385)	(1,305)
<b>Net total</b>	<b>4,074,094</b>	<b>3,331,452</b>	<b>1,132,952</b>	<b>1,108,771</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**10 Investments in associate**

Investments in associate as at 31 December 2013 and 2012 were as follows:

	Type of business	Country of Incorporation	Consolidated financial statements							
			Ownership interest		Paid-up capital		Cost		Equity	
			2013	2012	2013	2012	2013	2012	2013	2012
			(%)		(in thousand Baht)					
<b>Indirect associate</b>										
Mega Product (Yemen) Limited	Distribution and marketing	Yemen	48.99	48.99	2,476	2,476	1,213	1,213	-	-
<b>Total</b>							<u><u>1,213</u></u>	<u><u>1,213</u></u>	<u><u>-</u></u>	<u><u>-</u></u>



**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**11 Investments in subsidiaries**

	<b>Separate financial statements</b>	
	2013	2012
	<i>(in thousand Baht)</i>	
At 1 January	52,162	52,162
<b>At 31 December</b>	<b><u>52,162</u></b>	<b><u>52,162</u></b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

Investments in subsidiaries as at 31 December 2013 and 2012, and dividend income from those investments for the years then ended, were as follows:

	Type of business	Country of incorporation	Ownership interest		Paid-up capital		Cost		Dividend income	
			2013	2012	2013	2012	2013	2012	2013	2012
			(%)				(in thousand Baht)			
<b>Direct subsidiaries</b>										
Mega Lifesciences PTY Limited	Branded products and distribution business	Thailand	99.99	99.99	50,000	50,000	49,996	49,996	649,053	140,000
Natural Health Foods Limited	Branded products business	Thailand	99.99	99.99	2,000	2,000	1,996	1,996	-	-
Mega We Care Limited	Branded products business	Thailand	99.96	99.96	170	170	170	170	-	-
<b>Total</b>							<b>52,162</b>	<b>52,162</b>	<b>649,053</b>	<b>140,000</b>
<b>Indirect subsidiaries (investment through Mega Lifesciences PTY Limited)</b>										
Mega Lifesciences (Australia) Pty. Limited	Branded and OEM products business	Australia	99.99	99.99	398,007	398,007	398,007	398,007	-	-
Mega Lifesciences (Vietnam) Limited	Branded products and distribution business	Vietnam	99.99	99.99	63,004	63,004	63,004	63,004	-	-
Mega Lifesciences Sdn.Bhd	Branded products business	Malaysia	99.99	99.99	17,214	17,214	17,214	17,214	-	-
PT Mega Lifesciences	Branded products business	Indonesia	98.99	98.99	15,163	15,163	15,012	15,012	-	-
Mega Lifesciences PTY Limited	Branded products and distribution business	Cambodia	99.99	99.99	15,281	15,281	15,281	15,281	-	-
Mega Lifesciences Nigeria Limited	Branded products and distribution business	Nigeria	99.99	99.99	14,885	14,885	14,885	14,885	-	-
Mega Lifesciences Ghana Limited	Branded products business	Ghana	99.99	99.99	9,469	9,469	9,469	9,469	-	-
Mega Lifesciences Private Limited	Branded products business	India	99.99	99.99	4,777	4,777	4,777	4,777	-	-
Mega Lifesciences Limited*	Distribution business	Myanmar	99.99	89.99	2,534	2,534	2,534	2,280	-	-

\*During the year, Mega Lifesciences PTY Limited purchased the remaining shares from the management and the shares transfer was complete on 9 July 2013.

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

	Type of business	Country of incorporation	Ownership interest		Paid-up capital		Cost		Dividend income	
			2013	2012	2013	2012	2013	2012	2013	2012
E-Sense Limited	Software design, development and other services business	Thailand	99.96	99.96	500	500	499	499	-	-
Mega Products (Mauritius) Limited	Distribution business	Mauritius	99.99	99.99	410	410	410	410	184,694	137,750
Mega Lifesciences Pte. Ltd.	Distribution business	Singapore	99.99	99.99	156	156	156	156	-	-
Mega Lifesciences PTY Peru S.A.C.	Branded products business	Peru	99.99	99.99	100	100	99	99	-	-
Mayfield International Limited	Distribution business	United Kingdom	-	99.99	-	61	-	61	-	-
<b>Total</b>							<b>541,347</b>	<b>541,154</b>	<b>184,694</b>	<b>137,750</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**12 Property, plant and equipment**

	<b>Consolidated financial statements</b>								
	Land	Land improvements	Building and building improvements	Leasehold improvements	Machinery and equipment <i>(in thousand Baht)</i>	Furniture, fixtures and office equipment	Vehicles	Assets under construction	Total
<b>Cost</b>									
At 1 January 2012	24,996	2,828	143,120	41,122	458,340	187,963	62,774	11,220	932,363
Additions	42,192	-	1,064	400	36,089	44,647	21,137	302,688	448,217
Disposals	-	-	(13,190)	-	(92,491)	(21,756)	(2,134)	-	(129,571)
Transfers	4,439	-	992	-	16,479	878	62	(22,850)	-
Effect of movement in exchange rates	(653)	-	(145)	-	(674)	(2,440)	(1,441)	(2,396)	(7,749)
<b>At 31 December 2012 and 1 January 2013</b>	<b>70,974</b>	<b>2,828</b>	<b>131,841</b>	<b>41,522</b>	<b>417,743</b>	<b>209,292</b>	<b>80,398</b>	<b>288,662</b>	<b>1,243,260</b>
Additions	-	-	6,837	4,607	41,520	23,969	27,363	247,705	352,001
Disposals	-	-	-	-	(382)	(1,064)	(10,727)	-	(12,173)
Transfers	-	-	188,826	(2,144)	103,906	1,603	1,050	(293,241)	-
Effect of movement in exchange rates	(3,760)	-	(1,931)	(454)	(4,930)	(2,958)	2,301	(10,982)	(22,714)
<b>At 31 December 2013</b>	<b>67,214</b>	<b>2,828</b>	<b>325,573</b>	<b>43,531</b>	<b>557,857</b>	<b>230,842</b>	<b>100,385</b>	<b>232,144</b>	<b>1,560,374</b>
<b>Depreciation</b>									
At 1 January 2012	-	2,828	57,412	41,122	285,113	139,231	38,193	-	563,899
Depreciation charge for the year	-	-	6,981	3	35,248	20,470	11,959	-	74,661
Disposals	-	-	(11,858)	-	(91,020)	(21,608)	(1,270)	-	(125,756)
Effect of movement in exchange rates	-	-	(106)	-	(424)	(1,271)	(914)	-	(2,715)
<b>At 31 December 2012 and 1 January 2013</b>	<b>-</b>	<b>2,828</b>	<b>52,429</b>	<b>41,125</b>	<b>228,917</b>	<b>136,822</b>	<b>47,968</b>	<b>-</b>	<b>510,089</b>
Depreciation charge for the year	-	-	13,287	1,619	45,472	21,951	12,729	-	95,058
Disposals	-	-	-	-	(298)	(984)	(10,545)	-	(11,827)
Effect of movement in exchange rates	-	-	1,594	(1,682)	(2,337)	(1,274)	1,246	-	(2,453)
<b>At 31 December 2013</b>	<b>-</b>	<b>2,828</b>	<b>67,310</b>	<b>41,062</b>	<b>271,754</b>	<b>156,515</b>	<b>51,398</b>	<b>-</b>	<b>590,867</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

	<b>Consolidated financial statements</b>								
	Land	Land improvements	Building and building improvements	Leasehold improvements	Machinery and equipment <i>(in thousand Baht)</i>	Furniture, fixtures and office equipment	Vehicles	Assets under construction	Total
<b>Net book value</b>									
<b>At 1 January 2012</b>									
Owned Assets	24,996	-	85,708	-	173,227	47,791	23,362	11,220	366,304
Assets under finance leases	-	-	-	-	-	941	1,219	-	2,160
	<b>24,996</b>	<b>-</b>	<b>85,708</b>	<b>-</b>	<b>173,227</b>	<b>48,732</b>	<b>24,581</b>	<b>11,220</b>	<b>368,464</b>
<b>At 31 December 2012 and 1 January 2013</b>									
Owned Assets	70,974	-	79,412	397	188,826	72,123	31,784	288,662	732,178
Assets under finance leases	-	-	-	-	-	347	646	-	993
	<b>70,974</b>	<b>-</b>	<b>79,412</b>	<b>397</b>	<b>188,826</b>	<b>72,470</b>	<b>32,430</b>	<b>288,662</b>	<b>733,171</b>
<b>At 31 December 2013</b>									
Owned Assets	67,214	-	258,263	2,469	286,103	74,048	48,295	232,144	968,536
Assets under finance leases	-	-	-	-	-	279	692	-	971
	<b>67,214</b>	<b>-</b>	<b>258,263</b>	<b>2,469</b>	<b>286,103</b>	<b>74,327</b>	<b>48,987</b>	<b>232,144</b>	<b>969,507</b>

The original cost of the Group's fully depreciated plant and equipment that was still in use as at 31 December 2013 amounted to Baht 297 million (2012: Baht 254 million).

**Security**

At 31 December 2013 the Group's properties with cost of Baht 292 million (2012: Baht 180 million) were subject to secure bank loans (see note 15).

**Property, plant and equipment under construction**

During the year ended 31 December 2013, the Group continued the construction of new factories, in Australia and Thailand, with cost incurred up to the reporting date of Baht 604 million (2012: Baht 289 million) and with a further Baht 53 million (2012: Baht 82 million) in capital commitments (note 30). The construction in Australia was completed during 2013.

Capitalised borrowing costs relating to the construction of the new factory amounted to Baht 7.5 million (2012: Baht 1.8 million), with a capitalization rate of 4.4% (2012: 4.6%).

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

	<b>Separate financial statements</b>								
	Land	Land improvements	Building	Building improvements	Machinery and equipment <i>(in thousand Baht)</i>	Furniture, Fixtures and office equipment	Vehicles	Assets Under construction	Total
<b><i>Cost</i></b>									
At 1 January 2012	24,996	2,828	110,263	41,122	398,493	45,937	5,956	11,220	640,815
Additions	-	-	-	400	34,554	2,086	69	131,487	168,596
Disposal	-	-	-	-	(87,188)	(14,852)	-	-	(102,040)
Transfers	-	-	5,431	-	16,479	879	62	(22,851)	-
<b>At 31 December 2012 and 1 January 2013</b>	<b>24,996</b>	<b>2,828</b>	<b>115,694</b>	<b>41,522</b>	<b>362,338</b>	<b>34,050</b>	<b>6,087</b>	<b>119,856</b>	<b>707,371</b>
Additions	-	-	-	17	3,276	2,359	3,301	247,705	256,658
Disposal	-	-	-	-	-	-	(3,465)	-	(3,465)
Transfers	-	-	70,547	-	62,255	1,566	1,050	(135,418)	-
<b>At 31 December 2013</b>	<b>24,996</b>	<b>2,828</b>	<b>186,241</b>	<b>41,539</b>	<b>427,869</b>	<b>37,975</b>	<b>6,973</b>	<b>232,143</b>	<b>960,564</b>
<b><i>Depreciation</i></b>									
At 1 January 2012	-	2,828	37,331	41,122	250,139	39,175	5,088	-	375,683
Depreciation charge for the year	-	-	5,200	3	30,215	3,065	266	-	38,749
Disposal	-	-	-	-	(86,838)	(15,049)	-	-	(101,887)
<b>At 31 December 2012 and 1 January 2013</b>	<b>-</b>	<b>2,828</b>	<b>42,531</b>	<b>41,125</b>	<b>193,516</b>	<b>27,191</b>	<b>5,354</b>	<b>-</b>	<b>312,545</b>
Depreciation charge for the year	-	-	6,395	-	34,951	3,074	434	-	44,854
Disposal	-	-	-	-	-	-	(3,465)	-	(3,465)
<b>At 31 December 2013</b>	<b>-</b>	<b>2,828</b>	<b>48,926</b>	<b>41,125</b>	<b>228,467</b>	<b>30,265</b>	<b>2,323</b>	<b>-</b>	<b>353,934</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

	<b>Separate financial statements</b>								Total
	Land	Land improvements	Building	Building improvements	Machinery And equipment <i>(in thousand Baht)</i>	Furniture, fixtures and office equipment	Vehicles	Assets Under construction	
<b>Net book value</b>									
<b>At 1 January 2012</b>									
Owned Assets	24,996	-	72,932	-	148,354	6,437	868	11,220	264,807
Assets under finance lease	-	-	-	-	-	325	-	-	325
	<u>24,996</u>	<u>-</u>	<u>72,932</u>	<u>-</u>	<u>148,354</u>	<u>6,762</u>	<u>868</u>	<u>11,220</u>	<u>265,132</u>
<b>At 31 December 2012 and 1 January 2013</b>									
Owned Assets	24,996	-	73,163	397	168,822	6,513	733	119,856	394,480
Assets under finance leases	-	-	-	-	-	346	-	-	346
	<u>24,996</u>	<u>-</u>	<u>73,163</u>	<u>397</u>	<u>168,822</u>	<u>6,859</u>	<u>733</u>	<u>119,856</u>	<u>394,826</u>
<b>At 31 December 2013</b>									
Owned Assets	24,996	-	137,315	414	199,402	7,431	4,650	232,143	606,351
Assets under finance lease	-	-	-	-	-	279	-	-	279
	<u>24,996</u>	<u>-</u>	<u>137,315</u>	<u>414</u>	<u>199,402</u>	<u>7,710</u>	<u>4,650</u>	<u>232,143</u>	<u>606,630</u>

The gross amount of the Company's fully depreciated plant and equipment that was still in use as at 31 December 2013 amounted to Baht 178 million (2012: Baht 169 million).

*Security*

At 31 December 2013 the Company's properties with cost of Baht 292 million (2012: Baht 180 million) were subject to secure bank loans (see note 15).

*Property, plant and equipment under construction*

During the year ended 31 December 2013, the Company continued the construction of new factory in Thailand, with cost incurred up to the reporting date of Baht 368 (2012: Baht 120 million) and with a further Baht 53 million (2012: Baht 76 million) in capital commitments (note 30).

Capitalised borrowing costs relating to the construction of the new factory amounted to Baht 7.5 million (2012: Baht 1.8 million), with a capitalization rate of 4.4% (2012: 4.6%).

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**13 Intangible assets**

	<b>Consolidated financial statements</b>			
	Trademarks	Computer software (in thousand Baht)	Software under installation	Total
<b>Cost</b>				
At 1 January 2012	-	13,852	-	13,852
Additions	-	5,238	-	5,238
Effect of movements in exchange rates	-	(24)	-	(24)
Transfer	-	(773)	-	(773)
<b>At 31 December 2012 and 1 January 2013</b>	<b>-</b>	<b>18,293</b>	<b>-</b>	<b>18,293</b>
Additions	185,399	20,563	1,962	207,924
Effect of movements in exchange rates	-	(10)	-	(10)
<b>At 31 December 2013</b>	<b>185,399</b>	<b>38,846</b>	<b>1,962</b>	<b>226,207</b>
<b>Amortisation</b>				
At 1 January 2012	-	8,173	-	8,173
Amortisation charge for the year	-	1,972	-	1,972
Transfer	-	(773)	-	(773)
Effect of movements in exchange rates	-	(5)	-	(5)
<b>At 31 December 2012 and 1 January 2013</b>	<b>-</b>	<b>9,367</b>	<b>-</b>	<b>9,367</b>
Amortisation charge for the year	-	3,828	-	3,828
Effect of movements in exchange rates	-	(4)	-	(4)
<b>At 31 December 2013</b>	<b>-</b>	<b>13,191</b>	<b>-</b>	<b>13,191</b>
<b>Net book value</b>				
At 1 January 2012	-	5,679	-	5,679
At 31 December 2012 and 1 January 2013	-	8,926	-	8,926
<b>At 31 December 2013</b>	<b>185,399</b>	<b>25,655</b>	<b>1,962</b>	<b>213,016</b>



**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

	<b>Separate financial statements</b>		
	Trademarks	Computer software <i>(in thousand Baht)</i>	Total
<b>Cost</b>			
At 1 January 2012	-	8,688	8,688
<b>At 31 December 2012 and 1 January 2013</b>	<b>-</b>	<b>8,688</b>	<b>8,688</b>
Additions	185,399	135	185,534
<b>At 31 December 2013</b>	<b>185,399</b>	<b>8,823</b>	<b>194,222</b>
<b>Amortisation</b>			
At 1 January 2012	-	3,826	3,826
Amortisation charge for the year	-	820	820
<b>At 31 December 2012 and 1 January 2013</b>	<b>-</b>	<b>4,646</b>	<b>4,646</b>
Amortisation charge for the year	-	824	824
<b>At 31 December 2013</b>	<b>-</b>	<b>5,470</b>	<b>5,470</b>
<b>Net book value</b>			
At 1 January 2012	-	4,862	4,862
<b>At 31 December 2012 and 1 January 2013</b>	<b>-</b>	<b>4,042</b>	<b>4,042</b>
<b>At 31 December 2013</b>	<b>185,399</b>	<b>3,353</b>	<b>188,752</b>

On 12 December 2012, the Company entered into various agreements with DHG Pharmaceutical Joint Stock Company of Vietnam to purchase the trademarks, intellectual property rights and regulatory documentation related to products manufactured and sold under the Eugica brand in Vietnam for a consideration of USD 6 million. On the above date, the Company accounted for the transaction as prepayment for trademarks. On 9 July 2013, when the acquired assets were transferred to the Company, the asset was then reclassified to trademarks.

The Group acquired the brand Eugica with an intend to further expand its value in Vietnam and the region through further investment in sales and marketing efforts which are expensed as incurred. Therefore, the acquisition cost of the trademark Eugica is considered to have an infinite lifespan.

The carrying amount of the trademark is compared to its fair value at each reporting date based on information publicly available for transactions involving the sale and purchase of similar trademarks mainly evaluating the ratio between revenue and consideration.

#### **14 Deferred tax**

Deferred tax assets and liabilities as at 31 December were as follows:

	<b>Consolidated financial statements</b>			
	Assets		Liabilities	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Total	288,567	259,332	(212,279)	(175,178)
Set off of tax	(209,319)	(174,430)	209,319	174,431
<b>Net deferred tax assets (liabilities)</b>	<b>79,248</b>	<b>84,902</b>	<b>(2,960)</b>	<b>(747)</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

	<b>Separate financial statements</b>			
	<b>Assets</b>		<b>Liabilities</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Total	28,136	8,588	(10,149)	(881)
Set off of tax	(10,149)	(881)	10,149	881
<b>Net deferred tax assets</b>	<b>17,987</b>	<b>7,707</b>	<b>-</b>	<b>-</b>

Movements in total deferred tax assets and liabilities during the year were as follows:

	<b>Consolidated financial statements</b>			
	<b>At 1</b>	<b>(Charged) /</b>	<b>Exchange</b>	<b>At 31</b>
	<b>January</b>	<b>Credited to:</b>		<b>December</b>
	<b>2013</b>	<b>profit or loss</b>	<b>differences</b>	<b>2013</b>
	<i>(in thousand Baht)</i>			
<b>Deferred tax assets</b>				
Accounts receivables	228,265	16,873	-	245,138
Provision for employee benefits	13,681	1,308	-	14,989
Loss carry forward	16,317	11,005	(1,496)	25,826
Others	1,069	1,549	(4)	2,614
<b>Total</b>	<b>259,332</b>	<b>30,735</b>	<b>(1,500)</b>	<b>288,567</b>
<b>Deferred tax liabilities</b>				
Inventories	168,006	36,651	1	204,658
Property, plant and equipment	7,171	693	(243)	7,621
<b>Total</b>	<b>175,177</b>	<b>37,344</b>	<b>(242)</b>	<b>212,279</b>
<b>Net</b>	<b>84,155</b>	<b>(6,609)</b>	<b>(1,258)</b>	<b>76,288</b>

	<b>Consolidated financial statements</b>			
	<b>At 1</b>	<b>(Charged) /</b>	<b>Exchange</b>	<b>At 31</b>
	<b>January</b>	<b>Credited to:</b>		<b>December</b>
	<b>2012</b>	<b>profit or loss</b>	<b>differences</b>	<b>2012</b>
	<i>(in thousand Baht)</i>			
<b>Deferred tax assets</b>				
Accounts receivables	146,717	81,548	-	228,265
Provision for employee benefits	12,746	935	-	13,681
Loss carry forward	17,175	(656)	(202)	16,317
Others	1,436	(249)	(118)	1,069
<b>Total</b>	<b>178,074</b>	<b>81,578</b>	<b>(320)</b>	<b>259,332</b>
<b>Deferred tax liabilities</b>				
Inventories	110,804	57,202	-	168,006
Property, plant and equipment	5,227	2,099	(155)	7,171
<b>Total</b>	<b>116,031</b>	<b>59,301</b>	<b>(155)</b>	<b>175,177</b>
<b>Net</b>	<b>62,043</b>	<b>22,277</b>	<b>(165)</b>	<b>84,155</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

	<b>Separate financial statements</b>		
	<b>At 1 January 2013</b>	<b>(Charged) / Credited to : profit or loss <i>(in thousand Baht)</i></b>	<b>At 31 December 2013</b>
<i>Deferred tax assets</i>			
Accounts receivables	1,564	18,660	20,224
Provision for employee benefits	7,173	554	7,727
Others	(149)	334	185
<b>Total</b>	<b>8,588</b>	<b>19,548</b>	<b>28,136</b>
<i>Deferred tax liabilities</i>			
Inventories	881	9,268	10,149
<b>Total</b>	<b>881</b>	<b>9,268</b>	<b>10,149</b>
<b>Net</b>	<b>7,707</b>	<b>10,280</b>	<b>17,987</b>

	<b>Separate financial statements</b>		
	<b>At 1 January 2012</b>	<b>(Charged) / Credited to: profit or loss <i>(in thousand Baht)</i></b>	<b>At 31 December 2012</b>
<i>Deferred tax assets</i>			
Accounts receivables	2,810	(1,246)	1,564
Provision for employee benefits	6,302	871	7,173
Others	(58)	(91)	(149)
<b>Total</b>	<b>9,054</b>	<b>(466)</b>	<b>8,588</b>
<i>Deferred tax liabilities</i>			
Inventories	3,257	(2,376)	881
<b>Total</b>	<b>3,257</b>	<b>(2,376)</b>	<b>881</b>
<b>Net</b>	<b>5,797</b>	<b>1,910</b>	<b>7,707</b>

Deferred tax assets arising from accounts receivable relate to export of finished goods from the Group to other countries for which tax becomes payable upon export of the goods but for which revenue is recognised in the statement of income subsequently at the moment the goods are sold to third parties outside the Group. Deferred tax liabilities arising from inventories also relate to export of finished goods for which the cost becomes deductible for tax upon export but for which the cost of sales is recognised in the statement of income at the moment the goods subsequently are sold to third parties outside the Group.

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**15 Interest-bearing liabilities**

		<b>Consolidated</b>		<b>Separate</b>	
	<i>Note</i>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
		2013	2012	2013	2012
		<i>(in thousand Baht)</i>			
<b><i>Current</i></b>					
Bank overdrafts					
Secured		5,964	1,511	5,964	1,511
Unsecured		13,605	-	2,834	-
Short-term loans from financial institution - secured					
Trust receipts		260,624	329,358	255,356	315,214
Export bills discounted with recourse		236,379	362,450	-	-
Short-term loans from financial institution - unsecured					
Trust receipts		38,342	77,885	38,342	77,885
Export bills discounted with recourse		154,511	-	46,970	-
<b>Bank overdrafts and short-term loans from financial institutions</b>		<b><u>709,425</u></b>	<b><u>771,204</u></b>	<b><u>349,466</u></b>	<b><u>394,610</u></b>
Current portion of long-term loans from financial institutions - secured					
		75,019	79,760	44,020	60,456
Short-term loan from and interest payable to related party					
	5	-	-	2,603	2,555
Current portion of finance lease liabilities					
		<u>247</u>	<u>503</u>	<u>47</u>	<u>60</u>
<b>Total current interest-bearing liabilities</b>		<b><u>784,691</u></b>	<b><u>851,467</u></b>	<b><u>396,136</u></b>	<b><u>457,681</u></b>
<b><i>Non-current</i></b>					
Long-term loans from financial institutions - secured					
		211,799	346,525	131,666	242,719
Finance lease liabilities					
		<u>435</u>	<u>327</u>	<u>196</u>	<u>220</u>
<b>Total non-current interest-bearing liabilities</b>		<b><u>212,234</u></b>	<b><u>346,852</u></b>	<b><u>131,862</u></b>	<b><u>242,939</u></b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

The periods to maturity of interest-bearing liabilities as at 31 December were as follows:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Within one year	784,691	851,467	396,136	457,681
After one year but within five years	212,234	346,852	131,862	242,939
<b>Total</b>	<b>996,925</b>	<b>1,198,319</b>	<b>527,998</b>	<b>700,620</b>

Secured interest-bearing liabilities as at 31 December were secured on the following assets:

		<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
	<i>Note</i>	2013	2012	2013	2012
		<i>(in thousand Baht)</i>			
Fixed deposits		10,400	17,412	-	-
Property, plant and equipment	12	292,248	180,162	292,248	180,162
<b>Total</b>		<b>302,648</b>	<b>197,574</b>	<b>292,248</b>	<b>180,162</b>

**Long-term loans from financial institutions**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			

**The Company:**

Baht 50 million Loan Facility Agreement, payable in monthly installments of Baht 930,000, commencing in December 2008 with annual interest at 4% up to July 2010 and subsequently MLR-1.25%.

	-	4,430	-	4,430
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Baht 252 million Loan Facility Agreement, payable in monthly installments of Baht 4.58 million, commencing in June 2013 with annual interest at 1 month (THBFIX) plus margin.

	-	114,080	-	114,080
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U.S. Dollars 6 million Loan Facility Agreement, payable in quarterly installments of U.S. Dollars 334,000, commencing in September 2013 with annual interest USD LIBOR plus margin.

	175,686	184,665	175,686	184,665
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**Subsidiary:**

U.S. Dollars 4 million Loan Facility Agreement, payable in monthly installments of U.S. Dollars 78,400, commencing in June 2013 with annual interest rate 1 month LIBOR plus margin.

	111,132	123,110	-	-
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<b>Total</b>	<b>286,818</b>	<b>426,285</b>	<b>175,686</b>	<b>303,175</b>
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## Mega Lifesciences Public Company Limited and its Subsidiaries

### Notes to the financial statements

As at 31 December 2013, the Group had unutilised credit facilities totaling Baht 1,421 million (2012: Baht 402.59 million) and the Company had unutilised credit facilities totalling Baht 826 million (2012: Baht 122.39 million).

#### Finance lease liabilities

Finance lease liabilities as at 31 December were as follows:

	Consolidated financial statements					
	2013		2012			
	Future minimum lease payments	Interest	Present value of minimum lease payments (in thousand Baht)	Future minimum lease payments	Interest	Present value of minimum lease payments
Within one year	267	20	247	547	44	503
After one year but within five years	451	16	435	374	47	327
<b>Total</b>	<b>718</b>	<b>36</b>	<b>682</b>	<b>921</b>	<b>91</b>	<b>830</b>

	Separate financial statements					
	2013		2012			
	Future minimum lease payments	Interest	Present value of minimum lease payments (in thousand Baht)	Future minimum lease payments	Interest	Present value of minimum lease payments
Within one year	67	20	47	87	27	60
After one year but within five years	212	16	196	257	37	220
<b>Total</b>	<b>279</b>	<b>36</b>	<b>243</b>	<b>344</b>	<b>64</b>	<b>280</b>

The currency denomination of interest-bearing liabilities as at 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	(in thousand Baht)			
USD (USA)	900,372	796,591	440,053	296,887
THB (Thailand)	85,782	401,377	87,945	403,733
AUD (Australia)	10,771	-	-	-
MYR (Malaysia)	-	351	-	-
<b>Total</b>	<b>996,925</b>	<b>1,198,319</b>	<b>527,998</b>	<b>700,620</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**16 Trade accounts payable**

		<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
<i>Note</i>	2013	2012	2013	2012	
	<i>(in thousand Baht)</i>				
Related parties	5	3,821	5,252	13,088	30,745
Other parties		1,140,917	763,660	135,064	141,056
<b>Total</b>		<b>1,144,738</b>	<b>768,912</b>	<b>148,152</b>	<b>171,801</b>

The currency denomination of trade accounts payable as at 31 December was as follows:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
USD (USA)	955,462	559,651	34,381	22,664
THB (Thailand)	153,920	189,180	87,965	106,117
EUR (Euro)	14,119	10,672	11,701	7,319
VND (Vietnam)	12,102	491	-	-
AUD (Australia)	7,947	3,656	13,068	30,745
Others	1,188	5,262	1,037	4,956
<b>Total</b>	<b>1,144,738</b>	<b>768,912</b>	<b>148,152</b>	<b>171,801</b>

**17 Other payables**

		<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
<i>Note</i>	2013	2012	2013	2012	
	<i>(in thousand Baht)</i>				
<b>Related parties</b>	5	<b>275</b>	<b>643</b>	<b>9,813</b>	<b>25,339</b>
<b>Others</b>					
Advances received from customers		81,587	132,255	775	2,088
Value added tax payable		33,303	10,202	-	1,643
Payables for advertisement		29,628	20,186	-	-
Listing expenses payable		17,719	-	17,719	-
Others		39,247	29,004	14,090	5,906
		201,484	191,647	32,584	9,637
<b>Total</b>		<b>201,759</b>	<b>192,290</b>	<b>42,397</b>	<b>34,976</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**18 Employee benefit obligations**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
<b>Statement of financial position obligations for:</b>				
Post-employment benefits	78,587	68,571	43,520	36,885
<b>Total</b>	<b>78,587</b>	<b>68,571</b>	<b>43,520</b>	<b>36,885</b>
<b>Year ended 31 December</b>				
<b>Statement of comprehensive income</b>				
<b>Recognised in profit or loss:</b>				
Post-employment benefits	11,004	14,177	6,701	5,763
Exchange difference	(877)	(171)	-	-
<b>Total</b>	<b>10,127</b>	<b>14,006</b>	<b>6,701</b>	<b>5,763</b>

**Retirement benefit**

The Group and the Company operate a defined benefit pension plan based on the requirement of Thai Labour Protection Act B.E 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

The statement of financial position obligation was determined as follows:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Present value of unfunded obligations	78,587	68,571	43,520	36,885
<b>Statement of financial position obligation</b>	<b>78,587</b>	<b>68,571</b>	<b>43,520</b>	<b>36,885</b>

Movement in the present value of the defined benefit obligations:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Defined benefit obligations at 1 January	68,571	64,913	36,885	31,513
Benefits paid	(111)	(10,348)	(66)	(391)
Current service costs and interest	11,004	14,177	6,701	5,763
Exchange difference	(877)	(171)	-	-
<b>Defined benefit obligations at 31 December</b>	<b>78,587</b>	<b>68,571</b>	<b>43,520</b>	<b>36,885</b>



**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

Expense recognised in profit or loss

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Current service costs	9,008	12,502	5,257	4,538
Interest on obligation	1,996	1,675	1,444	1,225
Exchange difference	(877)	(171)	-	-
<b>Total</b>	<b>10,127</b>	<b>14,006</b>	<b>6,701</b>	<b>5,763</b>

The expense is recognised in the following line items in the statement of comprehensive income:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Cost of sale of goods and rendering of services	4,928	6,406	4,098	3,486
Selling expenses	1,581	1,677	-	-
Administrative expenses	4,495	6,094	2,603	2,277
Exchange difference	(877)	(171)	-	-
<b>Total</b>	<b>10,127</b>	<b>14,006</b>	<b>6,701</b>	<b>5,763</b>

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2013	2012	2013	2012
	(%)			
Discount rate	3.92 - 4.28	3.92 - 4.28	3.92	3.92
Future salary increases	1.50 - 7.00	1.50 - 7.00	7.00	7.00

Assumptions regarding future mortality are based on published statistics and mortality tables.

## 19 Share capital

	Par value per share <i>(in Baht)</i>	2013		2012	
		Number <i>(thousand shares)</i>	Baht <i>(thousand Baht)</i>	Number	Baht
<b>Authorised</b>					
At 1 January					
- ordinary shares	10	6,706	67,056	6,706	67,056
Increase of new shares (a)	10	67	675	-	-
Increase of new shares for stock dividends (a)	10	30,000	300,000	-	-
		<u>36,773</u>			
Share split - from Baht 10 to Baht 0.5 (b)	0.5	735,462			
Increase of new shares for employee warrants (c, e)	0.5	8,652	4,326	-	-
Increase of new shares for IPO (d)	0.5	129,787	64,894	-	-
<b>At 31 December</b>					
- ordinary shares	10	-	-	6,706	67,056
- ordinary shares	0.5	<u>873,901</u>	<u>436,951</u>	-	-

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

	Par value per share (in Baht)	2013		2012	
		Number (thousand shares)	Baht (thousand Baht)	Number	Baht
<b>Issued and paid-up</b>					
At 1 January					
- ordinary shares	10	6,706	67,056	6,706	67,056
Increase of new shares (a)	10	67	675	-	-
Increase of new shares for stock dividends (a)	10	<u>30,000</u>	300,000	-	-
		<u>36,773</u>			
Share split - from Baht 10 to Baht 0.5 (b)	0.5	735,462			
Increase of new shares for IPO (d)	0.5	<u>129,787</u>	<u>64,894</u>	-	-
<b>At 31 December</b>					
- ordinary shares	10	-	-	<b>6,706</b>	<b>67,056</b>
- ordinary shares	0.5	<b><u>865,249</u></b>	<b><u>432,625</u></b>	-	-

At the Extraordinary General Meeting of Shareholders No.2/2013 held on 7 June 2013, the shareholders passed a resolution to approve the follows;

- Approved to increase and allocate the authorised shares to 30,067,480 shares with a par value of Baht 10 per share to existing shareholders, pursuant to the issuance of stock dividends of 30,000,000 shares and the issuance of ordinary shares to the existing shareholders of 67,480 shares.
- Approved to decrease the par value of the ordinary shares from Baht 10 per share to Baht 0.50 per share which resulted in the increase in ordinary shares from 36,773,099 shares to 735,461,980 shares.
- Approved the issuance and offering of warrants in total of 8,652,494 units to the Company's employees based upon the contemplated conditions.
- Approved to increase newly authorised ordinary shares of 129,787,408 shares with a par value of Baht 0.50 per share to the public (Initial Public Offering).
- Approved to increase newly authorised ordinary shares of 8,652,494 shares with a par value of Baht 0.50 per share to reserve for warrants to certain employees embodying the right to purchase shares of the Company.

The Company registered the increase in shares with the Department of Business Development, the Ministry of Commerce on 17 July 2013, and the total authorised capital is Baht 436,950,941 comprising of 873,901,882 shares with a par value of Baht 0.50 per share.

On 19 November 2013, the Company achieved its IPO and received cash of Baht 2,271 million, comprising 129,787,408 shares with the offering price of Baht 17.5 per share. The transaction cost from issue of shares was deducted from share premium amounting to Baht 68 million, and resulted in premium on ordinary shares of Baht 2,138 million.

# Mega Lifesciences Public Company Limited and its Subsidiaries

## Notes to the financial statements

### *Share premium*

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account (“share premium”). Share premium is not available for dividend distribution.

## 20 Reserves

### **Reserves comprise:**

#### *Appropriations of profit and/or retained earnings*

##### **Legal reserve**

Section 116 of the Public Companies Act B.E. 2535 Section 116 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account (“legal reserve”), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

#### *Other components of equity*

##### **Currency translation differences**

The currency translation differences account within equity comprises all foreign currency differences arising from the translation of the financial statements of foreign entities.

#### *Movements in reserves*

Movements in reserves are shown in the statements of changes in equity.

## 21 Segment information

### *Business segments*

The Group comprises the following main business segments:

Segment 1	Brands
Segment 2	Distribution
Segment 3	OEM (“Original Equipment Manufacture”)

“Brands” represents a business segment in which goods are manufactured and sold under brands owned by the Group.

“Distribution” represents a service business segment in which the Group provides logistical and marketing services for goods trading purpose and sale of goods manufactured by third parties.

“OEM” represents a business segment in which goods are manufactured for third parties under brands not owned by the Group.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group’s CODM. Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

## **Mega Lifesciences Public Company Limited and its Subsidiaries**

### **Notes to the financial statements**

#### ***Inter-segment charge***

The distribution segment provides service to the brand segment in which the inter-segment pricing is determined on an arm's length basis.

#### ***Segment profit before tax***

The segment profit before tax is derived from reportable segment revenue minus allocated cost for each segment and inter-segment charges.

#### ***Segment assets and liabilities***

Segment assets and liabilities are based on the allocation to each segment of the assets and liabilities which are used for the operations of each segment.

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**a) Business segment results**

	<b>Brands</b>		<b>Distribution</b>		<b>OEM</b>		<b>Total</b>	
	2013	2012	2013	2012	2013	2012	2013	2012
	<i>(in thousand Baht)</i>							
<b>Revenue and expenses</b>								
Revenue from sale of goods and rendering of services	3,530,157	2,813,973	3,030,351	2,653,081	473,023	497,723	7,033,531	5,964,777
Inter-segment charge	(126,879)	(113,650)	126,879	113,650	-	-	-	-
Other income	6,450	24,481	3,450	22,029	579	1,435	10,479	47,945
<b>Total segment revenue</b>	<b><u>3,409,728</u></b>	<b><u>2,724,804</u></b>	<b><u>3,160,680</u></b>	<b><u>2,788,760</u></b>	<b><u>473,602</u></b>	<b><u>499,158</u></b>	<b><u>7,044,010</u></b>	<b><u>6,012,722</u></b>
<b>Segment profit before income tax</b>	<b><u>636,934</u></b>	<b><u>532,093</u></b>	<b><u>280,598</u></b>	<b><u>295,119</u></b>	<b><u>65,886</u></b>	<b><u>95,383</u></b>	<b><u>983,418</u></b>	<b><u>922,595</u></b>

**b) Business segment financial position**

	<b>Brands</b>		<b>Distribution</b>		<b>OEM</b>		<b>Total</b>	
	2013	2012	2013	2012	2013	2012	2013	2012
	<i>(in thousand Baht)</i>							
<b>Total assets</b>	<b><u>1,789,003</u></b>	<b><u>1,538,408</u></b>	<b><u>1,613,685</u></b>	<b><u>1,177,857</u></b>	<b><u>191,879</u></b>	<b><u>199,129</u></b>	<b><u>3,594,567</u></b>	<b><u>2,915,394</u></b>
<b>Total liabilities</b>	<b><u>122,151</u></b>	<b><u>127,992</u></b>	<b><u>937,715</u></b>	<b><u>582,845</u></b>	<b><u>26,988</u></b>	<b><u>26,669</u></b>	<b><u>1,086,854</u></b>	<b><u>737,506</u></b>

# **Mega Lifesciences Public Company Limited and its Subsidiaries**

## **Notes to the financial statements**

### ***Geographical segments***

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The Group operates in the following main geographical areas:

Segment 1	Asia Pacific
Segment 2	Africa and Middle East
Segment 3	CIS (“Commonwealth of Independent States”)

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**c) Geographical segments result**

	Asia Pacific		Africa and Middle East		CIS		Others		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	<i>(in thousand Baht)</i>									
<b>Revenue</b>										
Revenue from sale of goods and rendering of services	6,265,078	5,283,435	379,724	375,226	190,293	181,912	198,436	124,204	7,033,531	5,964,777
<b>Total revenue</b>	<b>6,265,078</b>	<b>5,283,435</b>	<b>379,724</b>	<b>375,226</b>	<b>190,293</b>	<b>181,912</b>	<b>198,436</b>	<b>124,204</b>	<b>7,033,531</b>	<b>5,964,777</b>
<b>Segment results</b>	<b>794,598</b>	<b>777,762</b>	<b>76,489</b>	<b>59,726</b>	<b>11,517</b>	<b>22,145</b>	<b>100,814</b>	<b>62,962</b>	<b>983,418</b>	<b>922,595</b>

**d) Geographical segments financial position**

	Asia Pacific		Africa and Middle East		CIS		Others		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	<i>(in thousand Baht)</i>									
Total assets	6,377,577	4,206,890	134,500	109,407	-	-	23,776	15,280	6,535,853	4,331,577
Total liabilities	2,742,739	2,605,221	75,279	15,433	-	-	25,261	527	2,843,279	2,621,181

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

*Reconciliation of reportable segment profit or loss, assets and liabilities*

	2013	2012
	<i>(in thousand Baht)</i>	
<b>Profit or loss</b>		
Total profit for reportable segments	<u>983,418</u>	<u>922,595</u>
Unallocated amounts:		
Other corporate expenses	(111,541)	(134,241)
Depreciation and amortisation	(98,886)	(76,436)
Finance costs	(28,229)	(23,549)
Other income	12,658	9,928
Income tax expenses	<u>(133,394)</u>	<u>(119,079)</u>
<b>Consolidated profit</b>	<u><b>624,026</b></u>	<u><b>579,218</b></u>
<b>Assets</b>		
Total assets for reportable segments	3,594,567	2,915,394
Other unallocated amounts	<u>2,941,286</u>	<u>1,416,183</u>
<b>Consolidated total assets</b>	<u><b>6,535,853</b></u>	<u><b>4,331,577</b></u>
<b>Liabilities</b>		
Total liabilities for reportable segments	1,086,854	737,506
Other unallocated amounts	<u>1,756,426</u>	<u>1,883,675</u>
<b>Consolidated total liabilities</b>	<u><b>2,843,280</b></u>	<u><b>2,621,181</b></u>

**22 Employee benefit expenses**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
<b>Management</b>				
Wages and salaries	101,232	130,233	28,164	28,996
Contribution to provident fund	377	611	250	485
Contribution to retirement fund	864	1,481	590	1,220
<b>Total</b>	<u><b>102,473</b></u>	<u><b>132,325</b></u>	<u><b>29,004</b></u>	<u><b>30,701</b></u>
<b>Other employees</b>				
Wages and salaries	1,016,605	880,616	344,329	246,542
Contribution to provident fund	17,958	14,710	4,954	3,697
Contribution to retirement fund	10,140	12,525	6,111	4,542
<b>Total</b>	<u><b>1,044,703</b></u>	<u><b>907,851</b></u>	<u><b>355,394</b></u>	<u><b>254,781</b></u>

The defined contribution plans comprise provident funds established by the Group for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees and by the Group at rates of 3% of the employees basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.



**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**23 Expenses by nature**

The statements of income include an analysis of expenses by function. Expenses by nature disclosed in accordance with the requirements of various TFRS were as follows:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
<b><i>Included in cost of sales of goods and rendering of services:</i></b>				
Changes in inventories of finished goods and work in progress	(268,709)	(459,859)	(198,725)	4,285
Raw materials and consumables used	3,665,549	3,245,811	855,434	691,032
Personnel expenses	375,953	309,041	253,504	209,189
Depreciation and amortisation	59,778	41,556	42,169	36,239
Others	241,523	194,903	180,570	168,026
<b>Total</b>	<b><u>4,074,094</u></b>	<b><u>3,331,452</u></b>	<b><u>1,132,952</u></b>	<b><u>1,108,771</u></b>
<b><i>Included in selling expenses:</i></b>				
Advertising expenses	833,108	653,282	177,902	91
Personnel expenses	352,656	307,874	18,685	5,759
Freight expenses	86,498	89,136	27,774	17,634
Commission fees	6,001	7,287	3,834	7,287
Depreciation and amortisation	1,091	1,787	-	-
Others	93,264	93,684	2,124	1,476
<b>Total</b>	<b><u>1,372,618</u></b>	<b><u>1,153,050</u></b>	<b><u>230,319</u></b>	<b><u>32,247</u></b>
<b><i>Included in administrative expenses:</i></b>				
Personnel expenses	418,567	423,260	112,209	70,534
Traveling expenses	117,986	113,855	22,933	14,234
Depreciation and amortisation	38,017	33,093	3,508	3,331
Professional fees	26,450	27,322	9,357	7,564
Drug developments expenses	15,485	9,568	14,652	9,568
Others	246,636	219,869	70,428	26,861
<b>Total</b>	<b><u>863,141</u></b>	<b><u>826,967</u></b>	<b><u>233,087</u></b>	<b><u>132,092</u></b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**24 Finance costs**

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
<i>(in thousand Baht)</i>					
<b>Interest expense:</b>					
Subsidiaries	5	-	-	48	55
Bank loans and overdrafts		35,648	25,226	22,477	15,039
<b>Total interest expense</b>		<b>35,648</b>	<b>25,226</b>	<b>22,525</b>	<b>15,094</b>
Other finance costs		40	153	32	12
<i>Less: amounts included in the cost of qualifying assets</i>					
<i>- Property, plant and equipment under construction</i>					
		(7,459)	(1,830)	(7,459)	(1,830)
<b>Net</b>		<b>28,229</b>	<b>23,549</b>	<b>15,098</b>	<b>13,276</b>

**25 Income tax expense**

*Income tax recognised in profit or loss*

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012 (Restated)	2013	2012 (Restated)
<i>(in thousand Baht)</i>					
<b>Current tax expense</b>					
Current year		125,527	141,253	19,008	23,581
Adjustment for prior years		-	(62)	-	(62)
		<b>125,527</b>	<b>141,191</b>	<b>19,008</b>	<b>23,519</b>
<b>Deferred tax expense</b>					
Movements in temporary differences	14	7,867	(22,112)	(10,280)	(1,910)
<b>Total income tax expense</b>		<b>133,394</b>	<b>119,079</b>	<b>8,728</b>	<b>21,609</b>

*Reconciliation of effective tax rate*

	Consolidated financial statements			
	2013		2012 (Restated)	
	Rate (%)	(in thousand Baht)	Rate (%)	(in Thousand Baht)
Profit before income tax expense		757,421		698,297
Income tax using the Thai corporation tax rates	20	151,484	23	160,608
Income tax reduction - deferred		-		8,454
Effect of difference tax rates in foreign jurisdictions		(5,689)		(36,143)
Income not subject to tax		(19,862)		(16,680)
Expenses not deductible for tax purposes		7,461		2,902
Over provided in prior years		-		(62)
<b>Total</b>	<b>18</b>	<b>133,394</b>	<b>17</b>	<b>119,079</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

	<b>Separate financial statements</b>			
	2013		2012	
	<i>Rate</i>	<i>(in thousand</i>	<i>Rate</i>	<i>(in thousand</i>
	<i>(%)</i>	<i>Baht)</i>	<i>(%)</i>	<i>Baht)</i>
Profit before income tax expense		793,234		305,979
Income tax using the corporation tax rate	20	158,647	23	70,375
Income tax reduction - deferred		-		287
Income not subject to tax				
- Dividends		(129,811)		(32,200)
- Promotional privileges		(19,801)		(16,680)
- Other		(307)		(173)
<b>Total</b>	<b>1</b>	<b>8,728</b>	<b>7</b>	<b>21,609</b>

*Income tax reduction*

Royal Decree No. 530 B.E. 2554 dated 21 December 2011 grants a reduction in the corporate income tax rate for the three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2013 which begins on or after 1 January 2012 and to 20% for the following two accounting periods 2013 and 2014 which begin on or after 1 January 2013 and 2014, respectively.

It is understood that the Government will proceed to amend the law in order to maintain the corporate income tax rate at not higher than 20% for the accounting period 2015 which begins on or after 1 January 2015 and onwards in order to give full effect to the Cabinet resolution dated 11 October 2011 to increase Thailand's tax competitiveness.

**26 Promotional privileges**

By virtue of the provisions of the Industrial Investment Promotion Act of B.E. 2520, the Company has been granted privileges by the Board of Investment relating to manufacturing of medicines starting from 31 July 2012. The privileges granted include:

- (a) exemption from payment of import duty on machinery approved by the Board;
- (b) exemption from payment of income tax for certain operations for a period of five years from the date on which the income is first derived from such operations;

As promoted companies, the Company must comply with certain terms and conditions prescribed in the promotional certificates.

Summary of revenue from promoted and non-promoted businesses:

	<b>Separate financial statements</b>					
	2013			2012		
	Promoted	Non-	Total	Promoted	Non-	Total
	businesses	promoted		businesses	promoted	
		businesses			businesses	
			<i>(in thousand Baht)</i>			
Export sales	683,762	410,214	1,093,976	269,086	563,689	832,775
Local sales	325,988	310,613	636,601	170,367	434,021	604,388
<b>Total revenues</b>	<b>1,009,750</b>	<b>720,827</b>	<b>1,730,577</b>	<b>439,453</b>	<b>997,710</b>	<b>1,437,163</b>

# Mega Lifesciences Public Company Limited and its Subsidiaries

## Notes to the financial statements

### 27 Earnings per share

#### *Basic and diluted earnings per share*

The calculation of basic and diluted earnings per share for the years ended 31 December 2013 and 2012 was based on the profit of the Company and the number of ordinary shares for the year attributable to ordinary shareholders outstanding during the years, after adjusting the number of ordinary shares to reflect share split and the stock dividends as said in note 19. The prior year's basic and diluted earnings per share was recalculated retrospectively, as if the share split and the stock dividends were distributed since the beginning of reporting year as follows:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht / thousand shares)</i>			
Profit for the period attributable to ordinary shareholders of the Company	<u>624,016</u>	<u>577,716</u>	<u>784,506</u>	<u>284,370</u>
Number of ordinary shares outstanding				
at 1 January	6,706	6,706	6,706	6,706
Effect of stock dividends for the existing shares	29,701	29,701	29,701	29,701
Effect of share split on the existing shares	691,728	691,727	691,728	691,727
Effect of shares issued on 17 July 2013	31	-	31	-
Effect of stock dividends for new shares	137	-	137	-
Effect of share split on new shares	3,185	-	3,185	-
Effect of IPO shares issued on 19 November 2013	15,290	-	15,290	-
Weighted average number of ordinary shares outstanding	<u>746,778</u>	<u>728,134</u>	<u>746,778</u>	<u>728,134</u>
<b>Basic and diluted earnings per share (in Baht)</b>	<b><u>0.84</u></b>	<b><u>0.79</u></b>	<b><u>1.05</u></b>	<b><u>0.39</u></b>

There is no difference between basic and diluted earnings per shares because warrants refer to note 19 for the Company's employees will become effective upon the issuance.

### 28 Dividends

At the meeting of the Board of Directors of the Company held on 30 October 2013, the directors approved the appropriation of dividends of Baht 0.77 per share, amounting to Baht 565.5 million. The dividends were paid to shareholders during November 2013.

At the meeting of the Board of Directors of the Company held on 13 August 2013, the directors approved the appropriation of interim dividends of Baht 0.07 per share, amounting to Baht 47.8 million. The dividends were paid to shareholders during September 2013.

At the extraordinary general meeting of the shareholders of the Company held on 7 June 2013, the shareholders approved the appropriation of dividends of Baht 333.3 million divided into stock dividends amounting to Baht 300 million, which consisted of an increase in ordinary shares of 30 million shares with a par value of Baht 10 per share at the ratio of 1 existing share to 4.43 new ordinary shares, and cash dividends paid at Baht 4.92 per share, amounting to Baht 33.3 million. The dividends were paid to shareholders during July 2013.

At the annual general meeting of the shareholders of the Company held on 22 April 2013, the shareholders approved the appropriation of dividends of Baht 30 per share, amounting to Baht 201.2 million. The dividends were paid to shareholders during 2013.

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## Notes to the financial statements

At the meeting of the Board of Directors of the Company held on 27 March 2012 and 2 October 2012, the Board of Directors approved the appropriation of dividends of Baht 14.6 and Baht 7 per share, amounting to Baht 97.9 and Baht 46.9 million. The dividends were paid to shareholders during 2012.

## 29 Financial instruments

### *Financial risk management policies*

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

### *Capital management*

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-controlling interests and also monitors the level of dividends to ordinary shareholders.

### *Interest rate risk*

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows because loan interest rates are mainly float. The Group is primarily exposed to interest rate risk from its borrowing (*Note 15*).

The sensitivity of the interest expense of the Group is the hypothetical change in interest expense as a result of possible changes in market rates. A change in the interest rate of the Group by 100bp will change the interest expense of the Group by Baht 11 million.

The effective interest rates of interest-bearing financial liabilities as at 31 December and the periods in which those liabilities mature or re-price were as follows:

	<b>Consolidated financial statements</b>			
	Effective interest Rate (% per annum)	Within 1 year	After 1 year but within 5 years (in thousand Baht)	Total
<b>2013</b>				
<b>Current</b>				
Loans payable - Financial institutions	2.27	709,425	-	709,425
<b>Non-current</b>				
Loans payable - Financial institutions	2.46 – 3.44	75,019	211,799	286,818
<b>Total</b>		<b>784,444</b>	<b>211,799</b>	<b>996,243</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

	<b>Consolidated financial statements</b>			
	Effective interest Rate	Within 1 year	After 1 year but within 5 years	Total
	(% per annum)		(in thousand Baht)	
<b>2012</b>				
<b>Current</b>				
Loans payable - Financial institutions	2.55	771,204	-	771,204
<b>Non-current</b>				
Loans payable - Financial institutions	2.46 - 5.97	79,760	346,525	426,285
<b>Total</b>		<b>850,964</b>	<b>346,525</b>	<b>1,197,489</b>

	<b>Separate financial statements</b>			
	Effective interest Rate	Within 1 year	After 1 year but within 5 years	Total
	(% per annum)		(in thousand Baht)	
<b>2013</b>				
<b>Current</b>				
Loans payable - Financial institutions	2.96	349,466	-	349,466
Loans payable - Related parties	1.93	2,603	-	2,603
<b>Non-current</b>				
Loans payable - Financial institutions	2.46	44,020	131,666	175,686
<b>Total</b>		<b>396,089</b>	<b>131,666</b>	<b>527,755</b>

<b>2012</b>				
<b>Current</b>				
Loans payable - Financial institutions	3.48	394,610	-	394,610
Loans payable - Related parties	2.19	2,555	-	2,555
<b>Non-current</b>				
Loans payable - Financial institutions	2.46 - 5.97	60,456	242,719	303,175
<b>Total</b>		<b>457,621</b>	<b>242,719</b>	<b>700,340</b>

**Foreign currency risk**

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies.

At 31 December, the Group and the Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

	Note	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		2013	2012	2013	2012
		(in thousand Baht)			
<b>USD (USA)</b>					
Cash and cash equivalents	6	219,204	203,844	5,316	1,711
Trade accounts receivable	7	1,023,834	809,757	270,499	78,468
Restricted deposits at financial institutions		-	6,982	-	-
Interest-bearing liabilities	15	(900,372)	(796,591)	(440,053)	(296,887)
Trade accounts payable	16	(955,462)	(559,651)	(34,381)	(22,664)
<b>Gross balance sheet exposure</b>		<b>(612,796)</b>	<b>(335,659)</b>	<b>(198,619)</b>	<b>(239,372)</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

		<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
	<i>Note</i>	2013	2012	2013	2012
		<i>(in thousand Baht)</i>			
<b>AUD (Australia)</b>					
Cash and cash equivalents	6	15	3,076	-	-
Trade accounts receivable	7	44,552	46,590	8,672	12,173
Interest-bearing liabilities	15	(10,771)	-	-	-
Trade accounts payable	16	(7,947)	(3,656)	(13,068)	(30,745)
<b>Gross balance sheet exposure</b>		<b>25,849</b>	<b>46,010</b>	<b>(4,396)</b>	<b>(18,572)</b>
<b>EUR (Euro)</b>					
Trade accounts receivable	7	8,018	7,723	8,018	7,723
Trade accounts payable	16	(14,119)	(10,672)	(11,701)	(7,319)
<b>Gross balance sheet exposure</b>		<b>(6,101)</b>	<b>(2,949)</b>	<b>(3,683)</b>	<b>404</b>
<b>NGN (Nigeria)</b>					
Cash and cash equivalents	6	4,587	20,726	-	-
Trade accounts receivable	7	31,949	27,556	-	-
<b>Gross balance sheet exposure</b>		<b>36,536</b>	<b>48,282</b>	<b>-</b>	<b>-</b>
<b>VND (Vietnam)</b>					
Cash and cash equivalents	6	18,548	7,545	-	-
Trade accounts receivable	7	94,482	21,388	-	-
Trade accounts payable	16	(12,102)	(491)	-	-
<b>Gross balance sheet exposure</b>		<b>100,928</b>	<b>28,442</b>	<b>-</b>	<b>-</b>
<b>MMK (Myanmar)</b>					
Cash and cash equivalents	6	22,274	17,445	-	-
Trade accounts receivable	7	43,793	-	-	-
<b>Gross balance sheet exposure</b>		<b>66,067</b>	<b>17,445</b>	<b>-</b>	<b>-</b>
<b>Others</b>					
Cash and cash equivalents	6	18,604	6,595	-	-
Trade accounts receivable	7	38,529	13,211	8,107	-
Trade accounts payable	16	(1,188)	(5,262)	(1,037)	(4,956)
Interest-bearing liabilities	15	-	(351)	-	-
<b>Gross balance sheet exposure</b>		<b>55,945</b>	<b>14,193</b>	<b>7,070</b>	<b>(4,956)</b>

**Credit risk**

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. However, due to the large number of parties comprising the Group's customer base, Management does not anticipate material losses from its debt collection.

# Mega Lifesciences Public Company Limited and its Subsidiaries

## Notes to the financial statements

### *Liquidity risk*

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

### *Determination of fair values*

A number of the Group's and the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of trade and other short-term receivables is taken to approximate the carrying value.

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The fair value of financial assets and liabilities is close to the carrying value in the statements of financial position as at 31 December 2013 and 2012.

## 30 Commitments with non-related parties

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
<b><i>Capital commitments</i></b>				
Contracted but not provided for:				
Land	129,360	-	129,360	-
Buildings and other constructions	53,210	82,407	53,210	75,632
<b>Total</b>	<b>182,570</b>	<b>82,407</b>	<b>182,570</b>	<b>75,632</b>
<b><i>Non-cancellable operating lease commitments</i></b>				
Within one year	27,385	29,673	9,216	5,616
After one year but within five years	14,552	33,819	9,012	9,828
<b>Total</b>	<b>41,937</b>	<b>63,492</b>	<b>18,228</b>	<b>15,444</b>
<b><i>Other commitments</i></b>				
Purchase orders for goods and supplies	155,172	106,537	155,172	106,537
Bank guarantees	155,993	74,420	155,993	74,420
<b>Total</b>	<b>311,165</b>	<b>180,957</b>	<b>311,165</b>	<b>180,957</b>

### *Operating lease agreements*

The Group has various operating lease agreement for office and warehouse rental. The period of agreements is variable from 1-5 years.



# Mega Lifesciences Public Company Limited and its Subsidiaries

## Notes to the financial statements

### *Distribution and service agreements*

The Group has entered into usually exclusive distribution and service agreements with third parties in various countries. The compensation for the distributors is variable and depends on the volume of business carried out. The compensation accruing to the Group is usually fixed and revised periodically. The agreements can usually be terminated within a year without the Group incurring significant obligations.

### *Contingent liabilities*

As at 31 December 2013, the Company had contingent liabilities with financial institutions to guarantee the Company's subsidiaries in respect of line of credit use for amount up to Baht 990 million and U.S. Dollars 13 million (*31 December 2012: Baht 518 million and U.S. Dollars 4 million*).

## **31 Events after the reporting date**

At the meeting of the Board of Directors held on 25 February 2014, the Board of Directors approved the appropriation of dividends of Baht 0.18 per share, amounting to Baht 156 million. The dividends will be paid subject to the General Shareholders' meeting approval.

## **32 Thai Financial Reporting Standards not yet adopted**

The Group has not adopted the new and revised TFRS that have been issued as of the reporting date but are not yet effective. Those new and revised TFRS will become effective for annual financial periods beginning on or after 1 January in the year indicated in the following table, are as follows:

<b>TFRS</b>	<b>Topic</b>	<b>Year effective</b>
TAS 1 (revised 2012)	Presentation of financial statements	2014
TAS 7 (revised 2012)	Statement of Cash Flows	2014
TAS 12 (revised 2012)	Income Taxes	2014
TAS 17 (revised 2012)	Leases	2014
TAS 18 (revised 2012)	Revenue Recognition	2014
TAS 19 (revised 2012)	Employee Benefits	2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	2014
TAS 24 (revised 2012)	Related Party Disclosures	2014
TAS 28 (revised 2012)	Investments in Associates	2014
TAS 31 (revised 2012)	Interests in Joint Ventures	2014
TAS 34 (revised 2012)	Interim Financial Reports	2014
TAS 36 (revised 2012)	Impairment of Assets	2014
TAS 38 (revised 2012)	Intangible Assets	2014
TFRS 2 (revised 2012)	Share-based Payment	2014
TFRS 3 (revised 2012)	Business Combinations	2014
TFRS 4	Insurance Contracts	2016
TFRS 5 (revised 2012)	Non-current Assets held for Sale and Discontinued Operations	2014
TFRS 8 (revised 2012)	Operating Segments	2014
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	2014
TFRIC 4	Determining whether an Arrangement contains a Lease	2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	2014
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies	2014

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**Notes to the financial statements**

TFRS	Topic	Year effective
TFRIC 10	Interim Financial Reporting and Impairment	2014
TFRIC 12	Service Concession Arrangements	2014
TFRIC 13	Customer Loyalty Programmes	2014
TFRIC 17	Distributions of Non-cash Assets to Owners	2014
TFRIC 18	Transfers of Assets from Customers	2014
TIC 15	Operating Leases-Incentives	2014
TIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	2014
TIC 29	Service Concession Arrangements – Disclosure	2014
TIC 32	Intangible Assets-Web Site Costs	2014

Management expects to adopt and apply these new TFRS and interpretations in accordance with the FAP's announcement and has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of these new TFRS and interpretations and expects that there will be no material impact on the financial statements in the period of initial application.

### 33 Reclassification of accounts

Certain accounts in the 2012 financial statements have been reclassified to conform to the presentation in the 2013 financial statements. The significant reclassifications were as follows:

	2012					
	Consolidated financial statements			Separate financial statements		
	Before reclass.	Reclass.	After reclass.	Before reclass.	Reclass.	After reclass.
	<i>(in thousand Baht)</i>					
<b>Statement of financial position</b>						
Trade accounts receivable	1,176,553	111,420	1,287,973	-	-	-
Property plant and equipment	731,847	1,324	733,171	-	-	-
Other non-current assets	21,089	(1,324)	19,765	-	-	-
Other payables	(80,870)	<u>(111,420)</u>	(192,290)	-	<u>-</u>	-
		<u>-</u>			<u>-</u>	
<b>Statement of financial comprehensive income</b>						
Investment income	1,533	(1,533)	-	-	-	-
Selling expenses	(1,179,660)	26,610	(1,153,050)	(26,487)	(5,760)	( 32,247)
Administrative expenses	(800,357)	(26,610)	(826,967)	(137,852)	5,760	(132,092)
Finance cost	(25,082)	<u>1,533</u>	(23,549)	-	<u>-</u>	-
		<u>-</u>			<u>-</u>	

The reclassifications have been made because, in the opinion of management, the new classification is more appropriate to the Group's business.