

Thai Agro Energy Public Company Limited
Report and interim financial statements
For the three-month period ended
31 March 2015

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of Thai Agro Energy Public Company Limited

I have reviewed the accompanying statement of financial position of Thai Agro Energy Public Company Limited as at 31 March 2015, the related statements of comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, as well as the condensed notes to the financial statements. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of review

I conducted my review in accordance with Thai Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*.

Saifon Inkaew

Certified Public Accountant (Thailand) No. 4434

EY Office Limited

Bangkok: 11 May 2015

Thai Agro Energy Public Company Limited

Statement of financial position

(Unit: Thousand Baht)

		As at	As at
	<u>Note</u>	<u>31 March 2015</u>	<u>31 December 2014</u>
		(Unaudited but reviewed)	(Audited)
Assets			
Current assets			
Cash and cash equivalents		19,185	22,261
Current investments - open fund		480	435
Trade and other receivables	4	239,846	194,996
Inventories		369,390	113,467
Advance payments for purchase of goods		310,078	629,235
Other current assets		16,985	36,228
Total current assets		<u>955,964</u>	<u>996,622</u>
Non-current assets			
Property, plant and equipment	5	2,353,018	2,372,892
Intangible assets		1,903	2,037
Deferred tax assets		8,889	12,955
Other non-current assets		499	499
Total non-current assets		<u>2,364,309</u>	<u>2,388,383</u>
Total assets		<u><u>3,320,273</u></u>	<u><u>3,385,005</u></u>

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

Thai Agro Energy Public Company Limited
Statement of financial position (continued)

(Unit: Thousand Baht)

	Note	As at 31 March 2015 (Unaudited but reviewed)	As at 31 December 2014 (Audited)
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans from financial institutions	6	851,887	963,146
Trade and other payables		65,183	133,987
Income tax payable		5,400	-
Current portion of liabilities under financial lease agreements		978	916
Current portion of long-term loan	7	180,000	180,000
Provision for short-term employee benefits		2,541	2,541
Other current liabilities		5,316	12,171
Total current liabilities		<u>1,111,305</u>	<u>1,292,761</u>
Non-current liabilities			
Liabilities under financial lease agreements - net of current portion		4,033	4,326
Long-term loan - net of current portion	7	477,757	477,757
Provision for long-term employee benefits		777	990
Total non-current liabilities		<u>482,567</u>	<u>483,073</u>
Total liabilities		<u>1,593,872</u>	<u>1,775,834</u>
Shareholders' equity			
Share capital			
Registered			
1,000,000,000 ordinary shares of Baht 1 each		<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid up			
1,000,000,000 ordinary shares of Baht 1 each		1,000,000	1,000,000
Share premium		188,796	188,796
Capital reserve for share-based payment transactions		556	556
Retained earnings			
Appropriated - statutory reserve		100,000	100,000
Unappropriated		437,049	319,819
Total shareholders' equity		<u>1,726,401</u>	<u>1,609,171</u>
Total liabilities and shareholders' equity		<u>3,320,273</u>	<u>3,385,005</u>
		-	-

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

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Directors
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(Unaudited but reviewed)

Thai Agro Energy Public Company Limited

Statement of comprehensive income

For the three-month period ended 31 March 2015

(Unit: Thousand Baht except earnings per share expressed in Baht)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Profit or loss			
Revenues			
Sales		693,762	631,105
Other income		531	519
Total revenues		<u>694,293</u>	<u>631,624</u>
Expenses			
Cost of sales		542,737	503,974
Selling expenses		2,214	2,319
Administrative expenses		7,599	7,133
Total expenses		<u>552,550</u>	<u>513,426</u>
Profit before finance cost and income tax		141,743	118,198
Finance cost		(15,047)	(15,430)
Profit before income tax		126,696	102,768
Income tax expenses	8	(9,466)	(571)
Profit for the period		<u>117,230</u>	<u>102,197</u>
Other comprehensive income			
Other comprehensive income for the period		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u><u>117,230</u></u>	<u><u>102,197</u></u>
Earnings per share	9		
Basic earnings per share			
Profit		<u>0.12</u>	<u>0.13</u>
Weighted average number of ordinary shares (Thousand shares)		<u><u>1,000,000</u></u>	<u><u>800,000</u></u>

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

(Unaudited but reviewed)

Thai Agro Energy Public Company Limited
Statement of changes in shareholders' equity
For the three-month period ended 31 March 2015

(Unit: Thousand Baht)

	Issued and fully paid up share capital	Share premium	Capital reserve for share-based payment transactions	Retained earnings Appropriated - statutory reserve	Unappropriated	Total
Balance as at 1 January 2014	800,000	-	556	100,000	200,512	1,101,068
Profit for the period	-	-	-	-	102,197	102,197
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	102,197	102,197
Balance as at 31 March 2014	<u>800,000</u>	<u>-</u>	<u>556</u>	<u>100,000</u>	<u>302,709</u>	<u>1,203,265</u>
Balance as at 1 January 2015	1,000,000	188,796	556	100,000	319,819	1,609,171
Profit for the period	-	-	-	-	117,230	117,230
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	117,230	117,230
Balance as at 31 March 2015	<u>1,000,000</u>	<u>188,796</u>	<u>556</u>	<u>100,000</u>	<u>437,049</u>	<u>1,726,401</u>

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

(Unaudited but reviewed)

Thai Agro Energy Public Company Limited

Statement of cash flows

For the three-month period ended 31 March 2015

(Unit: Thousand Baht)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Profit before tax	126,696	102,768
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	27,796	25,758
Gain on sales of equipment	(446)	-
Gain on sales of current investments	(45)	-
Provision for long-term employee benefits	687	214
Interest income	(38)	(73)
Interest expenses	15,040	15,414
Profit from operating activities before changes in operating assets and liabilities	169,690	144,081
Operating assets (increase) decrease		
Trade and other receivables	(49,684)	(62,122)
Inventories	(255,923)	(175,646)
Advance payment for purchase of goods	319,157	177,839
Other current assets	19,243	9,141
Operating liabilities increase (decrease)		
Trade and other payables	(62,382)	83,793
Other current liabilities	(6,316)	(3,405)
Provision for long-term employee benefits	(900)	(2,282)
Cash from operating activities	132,885	171,399
Cash paid for interest expenses	(15,474)	(18,682)
Net cash from operating activities	117,411	152,717

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

(Unaudited but reviewed)

Thai Agro Energy Public Company Limited

Statement of cash flows (continued)

For the three-month period ended 31 March 2015

(Unit: Thousand Baht)

	<u>2015</u>	<u>2014</u>
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(14,210)	(75,962)
Acquisitions of current investments	(67,000)	-
Acquisitions of intangible assets	-	(63)
Proceeds from sales of equipment	446	-
Proceeds from sales of current investments	67,000	-
Cash receipt from government grants	<u>4,872</u>	<u>-</u>
Net cash used in investing activities	<u>(8,892)</u>	<u>(76,025)</u>
Cash flows used in financing activities		
Increase (decrease) in short-term loans from financial institution	(111,259)	28,791
Cash paid for liabilities under financial lease agreements	(336)	-
Cash paid for dividend	<u>-</u>	<u>(80,000)</u>
Net cash used in financing activities	<u>(111,595)</u>	<u>(51,209)</u>
Net increase (decrease) in cash and cash equivalents	(3,076)	25,483
Cash and cash equivalents at beginning of period	<u>22,261</u>	<u>11,989</u>
Cash and cash equivalents at end of period	<u><u>19,185</u></u>	<u><u>37,472</u></u>
Supplemental cash flows information		
Non-cash related transaction from investing activities and intangible assets	(6,422)	5,139

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

Thai Agro Energy Public Company Limited
Notes to interim financial statements
For the three-month period ended 31 March 2015

1. General information

1.1 Corporate information

Thai Agro Energy Public Company Limited (“the Company”) was incorporated as a limited company and domiciled in Thailand and was transformed to be a public limited company under Thai laws on 18 October 2007. Its parent company is Lanna Resources Public Co., Ltd, which is a public limited company incorporated in Thailand. The Company operates in Thailand and is principally engaged in production and distribution of ethanol for fuel. The registered office of the Company is at 888/114, Ploenchit Road, Lumpini, Pathumwan, Bangkok.

1.2 Basis of preparation of interim financial statements

These interim financial statements are prepared in accordance with Accounting Standard No. 34 (revised 2014) *Interim Financial Reporting*, with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders’ equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

1.3 New financial reporting standards

During the period, the Company has adopted the revised and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements. However, some of these standards involve changes to key principles, which are summarised below:

TAS 19 (revised 2014) Employee Benefits

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

The Company has changed the recognition of actuarial gains and losses in the current period from an immediate recognition in profit or loss to an immediate recognition in other comprehensive income. However, the changes have no impact on the statement of financial position as at 31 December 2014, and the statement of comprehensive income for the three-month period ended 31 March 2014, presented as comparative information.

TFRS 13 Fair Value Measurement

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

This standard does not have any significant impact on the Company's financial statements.

2. Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2014.

3. Related party transactions

Directors and management's benefits

During the three-month periods ended 31 March 2015 and 2014, the Company had employee benefit expenses payable to its directors and management as below.

(Unaudited but reviewed)

(Unit: Thousand Baht)

	<u>2015</u>	<u>2014</u>
Short-term employee benefits	5,412	4,844
Post-employment benefits	392	85
Total	<u>5,804</u>	<u>4,929</u>

4. Trade and other receivables

(Unit: Thousand Baht)

	31 March 2015	31 December 2014
Trade accounts receivable	233,881	184,182
Other receivables	5,965	10,814
Total trade and other receivables	<u>239,846</u>	<u>194,996</u>

The outstanding balances of trade accounts receivable as at 31 March 2015 amounting to Baht 234 million (31 December 2014: Baht 184 million) are undue trade accounts receivable.

5. Property, plant and equipment

Movements in the property, plant and equipment account during the three-month period ended 31 March 2015 are summarised below.

(Unit: Thousand Baht)

Net book value as at 31 December 2014	2,372,892
Acquisitions during the period - at cost	7,698
Depreciation for the period	<u>(27,572)</u>
Net book value as at 31 March 2015	<u>2,353,018</u>

As at 31 March 2015, the Company have motor vehicles under financial lease agreement with net book values amounting to Baht 4.8 million (31 December 2014: Baht 5.0 million).

The Company has mortgaged part of its land and construction thereon and machinery with net book value as at 31 March 2015 amounting to approximately Baht 1,173.7 million (31 December 2014: Baht 1,183.0 million) as collateral for short-term and long-term loans and credit facilities granted by a commercial bank as discussed in Note 6 and 7.

(Unaudited but reviewed)

6. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate		31 March 2015	31 December 2014
	(percent per annum)			
	31 March 2015	31 December 2014		
Promissory notes	3.50 - 3.90	3.60 - 3.90	805,823	831,210
Trust receipts	3.52	3.52	46,064	131,936
Total			851,887	963,146

Short-term loans from financial institutions is secured by the mortgage of part of the Company's land and construction thereon and machinery as discussed in Note 5.

7. Long-term loan

(Unit: Thousand Baht)

	31 March	31 December
	2015	2014
Long-term loan	657,757	657,757
Less: Current portion	(180,000)	(180,000)
Long-term loan - net of current portion	477,757	477,757

Movements in the long-term loan account during the three-month period ended 31 March 2015 are summarised below.

(Unit: Thousand Baht)

Balance as at 31 December 2014	657,757
Less: Repayment during the period	-
Balance as at 31 March 2015	657,757

On 6 November 2013, the Company entered into long-term loan agreement with a local bank, obtaining loan facilities of Baht 845 million, for the debt refinance with an another local bank. On 18 December 2013, the Company withdrew the loan for the debt refinance and repaid all of short-term and long-term loans to that local bank totaling Baht 837.8 million. The loan initially carries interest rate at THBFIX reference rate plus 1.75 percent per annum for the first year, and the interest rate increases by 0.05 percent per annum from the second to fifth year. The loan is repayable within 5 years in 10 semi-annually installments of Baht 90 million during the first to ninth year, and remaining balance is repayable in the tenth year. The repayment period is from June 2014 to December 2018. The loan is secured by the mortgage of a part of the Company's land and construction thereon and machinery as discussed in Note 5.

(Unaudited but reviewed)

Subsequently, on 7 March 2014, the Company executed a memorandum attached to the long-term loan agreement made with the bank to revise certain conditions and debt service coverage ratios for the financial statements of year 2014.

The loan agreement contains covenants that, among other things, require the Company to maintain certain financial ratios according to the agreement such as debt to equity and debt service coverage ratios at the rate prescribed in the agreement.

As at 31 March 2015 the Company could maintain certain financial ratios as specified in the long-term loan agreement (31 December 2014: the Company could maintain certain financial ratios as specified in the memorandum attached to the long-term loan agreement).

8. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses for the three-month periods ended 31 March 2015 and 2014 are made up as follows:

	(Unit: Thousand Baht)	
	<u>2015</u>	<u>2014</u>
Current income tax:		
Interim corporate income tax charge	5,400	-
Deferred tax:		
Relating to reversal of temporary differences	<u>4,066</u>	<u>571</u>
Income tax expenses reported in the statements of comprehensive income	<u><u>9,466</u></u>	<u><u>571</u></u>

9. Earnings per share

Basic earnings per share is calculated by dividing profit for the period (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period.

10. Segment information

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

The one main reportable operating segment of the Company is production and distribution of ethanol-for-fuel and the single geographical area of their operations is Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

11. Commitments and contingent liabilities**11.1 Capital commitments**

As at 31 March 2015, the Company had capital commitments of approximately Baht 6.9 million (31 December 2014: Baht 4.8 million), relating to the construction of Biogas systems and the acquisitions of machinery and equipment.

11.2 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of office building space and other services. The terms of the agreements are generally between 1 and 5 years.

Future minimum lease and other service payments under these operating lease and service contracts were as follows:

	(Unit: Million Baht)	
	31 March 2015	31 December 2014
	<hr/>	<hr/>
Payable:		
in up to 1 year	2.3	3.3
In over 1 and up to 5 years	4.0	4.5

11.3 Long-term service and purchase commitments

- a) The Company entered into a power supply agreement with the Provincial Electricity Authority for a period of one year, commencing 21 December 2010 to 20 December 2011, and being automatically renewed for every one-year period. The Company shall pay power supply at the rate as stipulated in the agreement.
- b) The Company had commitments under the purchase of molasses agreement with 15 year duration under which the price is to be determined every 5 years commencing the first year in 2005. The price for the first three years is that stipulated in the agreement and for the fourth and fifth year, using the average actual market price of the first three years for comparison and the quantity to purchase of molasses are those stipulated in the agreement. In addition, the Company had additional two commitments under the purchase of molasses agreements with 5-years duration under which the price is to be determined before shipment in the next period and the quantity to purchase of molasses are those stipulated in the agreement.
- c) As at 31 March 2015, the Company had commitments under service agreement with regard for the financial consulting of Baht 0.7 million (31 December 2014: Baht 0.8 million).

11.4 Guarantees

As at 31 March 2015, there were outstanding bank guarantees of approximately Baht 5.1 million issued by the bank on behalf of the Company to guarantee contractual performance under the license for production and distribution of ethanol-for-fuel from the Excise Department and to guarantee contracted performance under the license for using of electric to Provincial Electricity Authority (31 December 2014: Baht 5.1 million issued by the bank on behalf of the Company to guarantee contractual performance under the license for production and distribution of ethanol-for-fuel from the Excise Department and Biogas Technologic promotion project 2012 (Year 5) of the Energy Policy and Planning Office Ministry of Energy, and to guarantee contracted performance under the license for using of electric to Provincial Electricity Authority).

12. Litigation

In September 2011, a company sued the Company for its alleged non-compliance with the cassava chip purchase agreement dated 21 January 2011 and memorandum dated 29 April 2011, claiming a compensation for damage of Baht 186.9 million. On 8 November 2011, the Company submitted the testimony and countersued that company, claiming a compensation for damage of Baht 82.4 million. Subsequently, on 9 October 2014, the Civil Court dismissed the lawsuit filed by that company and ordered it to make payments for purchases of cassava chip that the Company paid in advance of Baht 6.9 million which together with interest expense of 7.5 percent per annum, calculated from 8 November 2014 (the countersue date) until completion of payment. In addition, that company shall pay for charges and partial lawyer fee for the Company. However, on 3 December 2014, the Company lodged an appeal with the Court of Appeal. Presently, the case is under consideration of the Appeal Court. As at 31 March 2015, the Company has not received such payment; therefore, the Company has not recorded in its account.

13. Event after the reporting period

On 20 April 2015, the Annual General Meeting of the Company's shareholders passed a resolution to approve the payment of dividend in respect of operation income from BOI promoted operation for the period from July to December 2014 to the Company's shareholders for 1,000 million shares of Baht 0.05 per share, or a total of Baht 50 million, additional from the interim dividends of Baht 0.10 per share, amounting of Baht 100 million. Thus, the total dividend payment is Baht 0.15 per share, or a total of Baht 150 million. The Company will pay such dividend on 20 May 2015 and such dividend will be recorded in the second quarter of 2015.

14. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised directors on 11 May 2015.