

Thai Agro Energy Public Company Limited
Report and financial statements
31 December 2016

Independent Auditor's Report

To the Shareholders of Thai Agro Energy Public Company Limited

Opinion

I have audited the accompanying financial statements of Thai Agro Energy Public Company Limited (the Company), which comprise the statement of financial position as at 31 December 2016, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thai Agro Energy Public Company Limited as at 31 December 2016, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matter and how audit procedures respond is describe below.

Revenue recognition

Revenue from sales is a significant account because the amount of revenue from sales is material and directly affects the Company's profit or loss. Major revenue of the Company is derived from production and distribution of ethanol which fluctuates in accordance with selling prices and current demands. There are therefore risks with respect to the amount and timing of revenue recognition of the Company.

I have examined the revenue recognition of the Company by assessing and testing the Company's IT system and its internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls, applying a sampling method to select sales agreements to assess whether revenue recognition was consistent with the conditions of the relevant agreement, and whether it was in compliance with the Company's policy, on a sampling basis, examining supporting documents for actual sales transactions occurring during the year and near the end of the accounting period, reviewing credit notes that the Company issued after the period-end and performing analytical procedures on disaggregated data to detect possible irregularities in sales transactions throughout the period, particularly for accounting entries made through journal vouchers.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Company, but does not include the financial statements and my auditor's report thereon. The annual report of the Company is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Company, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mrs. Saifon Inkaew.

Saifon Inkaew
Certified Public Accountant (Thailand) No. 4434

EY Office Limited
Bangkok: 22 February 2017

Thai Agro Energy Public Company Limited

Statement of financial position

As at 31 December 2016

(Unit: Baht)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Assets			
Current assets			
Cash and cash equivalents	7	37,047,316	9,101,662
Current investments - open fund		964,690	779,178
Trade and other receivables	8	165,547,628	201,708,246
Inventories	9	126,111,008	137,609,210
Advance payments for purchase of goods	10	543,604,567	578,127,841
Other current assets		<u>31,989,312</u>	<u>20,639,500</u>
Total current assets		<u>905,264,521</u>	<u>947,965,637</u>
Non-current assets			
Property, plant and equipment	11	2,314,388,882	2,286,816,051
Intangible assets	12	2,346,190	2,956,116
Deferred tax assets	20	2,480,583	2,815,148
Other non-current assets		<u>703,040</u>	<u>723,040</u>
Total non-current assets		<u>2,319,918,695</u>	<u>2,293,310,355</u>
Total assets		<u>3,225,183,216</u>	<u>3,241,275,992</u>

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

Thai Agro Energy Public Company Limited

Statement of financial position (continued)

As at 31 December 2016

(Unit: Baht)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans from financial institutions	13	986,636,524	964,934,032
Trade and other payables	14	182,331,135	67,908,352
Current portion of liabilities under finance lease agreements	15	2,804,604	1,449,412
Current portion of long-term loan	16	180,000,000	180,000,000
Income tax payable		1,159,087	2,497,507
Provision for short-term employee benefits	17	2,545,386	2,758,341
Other current liabilities		<u>14,906,761</u>	<u>15,262,222</u>
Total current liabilities		<u>1,370,383,497</u>	<u>1,234,809,866</u>
Non-current liabilities			
Liabilities under finance lease agreements - net of current portion	15	3,956,711	4,091,798
Long-term loan - net of current portion	16	117,757,191	297,757,191
Provision for long-term employee benefits	17	<u>1,435,833</u>	<u>1,069,914</u>
Total non-current liabilities		<u>123,149,735</u>	<u>302,918,903</u>
Total liabilities		<u>1,493,533,232</u>	<u>1,537,728,769</u>
Shareholders' equity			
Share capital			
Registered			
1,000,000,000 ordinary shares of Baht 1 each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid up			
1,000,000,000 ordinary shares of Baht 1 each		1,000,000,000	1,000,000,000
Share premium		188,795,985	188,795,985
Capital reserve for share-based payment transactions		556,451	556,451
Retained earnings			
Appropriated - statutory reserve	18	100,000,000	100,000,000
Unappropriated		<u>442,297,548</u>	<u>414,194,787</u>
Total shareholders' equity		<u>1,731,649,984</u>	<u>1,703,547,223</u>
Total liabilities and shareholders' equity		<u>3,225,183,216</u>	<u>3,241,275,992</u>
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The accompanying notes are an integral part of the financial statements.

Directors

Thai Agro Energy Public Company Limited

Statement of comprehensive income

For the year ended 31 December 2016

(Unit: Baht)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Profit or loss:			
Revenues			
Sales	21	2,415,075,148	2,600,323,060
Other income		<u>3,279,665</u>	<u>2,247,906</u>
Total revenues		<u>2,418,354,813</u>	<u>2,602,570,966</u>
Expenses			
	19		
Cost of sales		2,111,838,070	2,244,292,468
Selling expenses		9,519,466	9,931,559
Administrative expenses		<u>68,159,046</u>	<u>38,296,969</u>
Total expenses		<u>2,189,516,582</u>	<u>2,292,520,996</u>
Profit before finance cost and income tax expenses		228,838,231	310,049,970
Finance cost		<u>(37,794,156)</u>	<u>(50,058,915)</u>
Profit before income tax expenses		191,044,075	259,991,055
Income tax expenses	20	<u>(12,941,314)</u>	<u>(15,717,198)</u>
Profit for the year		<u>178,102,761</u>	<u>244,273,857</u>
Other comprehensive income:			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial gain		-	127,740
Less: Income tax effect	20	<u>-</u>	<u>(25,548)</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		<u>-</u>	<u>102,192</u>
Other comprehensive income for the year		<u>-</u>	<u>102,192</u>
Total comprehensive income for the year		<u>178,102,761</u>	<u>244,376,049</u>
Earnings per share			
	22		
Basic earnings per share			
Profit for the year		<u>0.18</u>	<u>0.24</u>

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

Thai Agro Energy Public Company Limited
Statement of changes in shareholders' equity
For the year ended 31 December 2016

(Unit: Baht)

	Note	Issued and fully paid up share capital	Share premium	Capital reserve for share-based payment transactions	Retained earnings		Total
					Appropriated - statutory reserve	Unappropriated	
Balance as at 1 January 2015		1,000,000,000	188,795,985	556,451	100,000,000	319,818,738	1,609,171,174
Profit for the year		-	-	-	-	244,273,857	244,273,857
Other comprehensive income for the year		-	-	-	-	102,192	102,192
Total comprehensive income for the year		-	-	-	-	244,376,049	244,376,049
Dividend paid	25	-	-	-	-	(150,000,000)	(150,000,000)
Balance as at 31 December 2015		<u>1,000,000,000</u>	<u>188,795,985</u>	<u>556,451</u>	<u>100,000,000</u>	<u>414,194,787</u>	<u>1,703,547,223</u>
Balance as at 1 January 2016		1,000,000,000	188,795,985	556,451	100,000,000	414,194,787	1,703,547,223
Profit for the year		-	-	-	-	178,102,761	178,102,761
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	178,102,761	178,102,761
Dividend paid	25	-	-	-	-	(150,000,000)	(150,000,000)
Balance as at 31 December 2016		<u>1,000,000,000</u>	<u>188,795,985</u>	<u>556,451</u>	<u>100,000,000</u>	<u>442,297,548</u>	<u>1,731,649,984</u>

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

Thai Agro Energy Public Company Limited**Statement of cash flows****For the year ended 31 December 2016**

(Unit: Baht)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Profit before tax	191,044,075	259,991,055
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	125,470,535	121,923,096
Loss on write-off machinery, equipments and intangible assets	578,461	289,544
Gain on sales of property, plant and equipment	(523,363)	(558,614)
Gain on sales of current investments	(185,512)	(344,284)
Provision for long-term employee benefits	1,280,214	425,517
Allowance for impairment in advance payments for cassava chips	6,869,478	-
Interest income	(161,830)	(173,522)
Interest expenses	<u>37,615,700</u>	<u>49,861,426</u>
Profit from operating activities before changes in operating assets and liabilities	361,987,758	431,414,218
Operating assets (increase) decrease		
Trade and other receivables	36,168,416	(11,584,347)
Inventories	11,498,202	(24,142,537)
Advance payment for purchase of goods	27,653,796	51,107,444
Other current assets	(11,349,812)	15,651,191
Other non-current assets	20,000	(224,300)
Operating liabilities increase (decrease)		
Trade and other payables	87,141,313	(56,789,414)
Other current liabilities	(1,362,139)	3,206,936
Provision for long-term employee benefits	<u>(1,127,250)</u>	<u>-</u>
Cash from operating activities	510,630,284	408,639,191
Cash received from interest income	154,032	173,959
Cash paid for interest expenses	(36,100,149)	(49,502,593)
Cash paid for income tax	<u>(13,945,169)</u>	<u>(3,104,979)</u>
Net cash from operating activities	<u>460,738,998</u>	<u>356,205,578</u>

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

Thai Agro Energy Public Company Limited**Statement of cash flows (continued)**

For the year ended 31 December 2016

(Unit: Baht)

	<u>2016</u>	<u>2015</u>
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(122,104,533)	(43,081,763)
Acquisitions of current investments	(565,000,000)	(692,000,000)
Acquisitions of intangible assets	(178,400)	(1,722,100)
Proceeds from sales of property, plant and equipment	523,364	558,621
Proceeds from sales of current investments	565,000,000	692,000,000
Cash receipt from government grants	-	4,871,798
Net cash used in investing activities	<u>(121,759,569)</u>	<u>(39,373,444)</u>
Cash flows from financing activities		
Increase in short-term loans from financial institution	21,702,492	1,787,871
Repayment of long-term loan	(180,000,000)	(180,000,000)
Cash paid for liabilities under finance lease agreements	(2,736,267)	(1,779,699)
Cash paid for dividend	<u>(150,000,000)</u>	<u>(150,000,000)</u>
Net cash used in financing activities	<u>(311,033,775)</u>	<u>(329,991,828)</u>
Net increase (decrease) in cash and cash equivalents	27,945,654	(13,159,694)
Cash and cash equivalents at beginning of year	<u>9,101,662</u>	<u>22,261,356</u>
Cash and cash equivalents at end of year (Note 7)	<u><u>37,047,316</u></u>	<u><u>9,101,662</u></u>

Supplemental cash flows information

Non-cash related transaction from investing activities

Increase (decrease) in accounts payables from purchases of equipment and intangible assets	27,281,469	(9,289,043)
Acquisitions of equipment under finance lease agreements	3,447,500	1,541,122

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

Thai Agro Energy Public Company Limited

Notes to financial statements

For the year ended 31 December 2016

1. General 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.

2. Basis of preparation

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and its presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

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

3. New financial reporting standards

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

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

During the year, the Company has adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. 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.

(b) Financial reporting standard that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2017. 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 management of the Company believes that the revised and new financial reporting standards and interpretations and new accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied.

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

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

Interest income

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

4.2 Cash and cash equivalents

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

4.3 Investments

Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities, which is determined from their net asset value, are recorded in profit or loss.

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

4.4 Trade receivables

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

4.5 Inventories

Finished goods, work in process and raw materials are valued at the lower of cost (under the weighted average method) and net realisable value. Cost of finished goods and work in process includes cost of material, labour and overheads. Net realisable value is selling price in normal course of business less other costs incurred to sell the goods.

Supplies are valued at the lower of cost (under the weighted average method) and net realisable value and are charged to production costs whenever consumed.

4.6 Property, plant and equipment and depreciation

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

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

Buildings and amenities	5 - 30	years
Machinery and equipment	5 - 30	years
Office equipment	3, 5, 15	years
Motor vehicles	5	years

No depreciation is provided for land, land improvement, and assets under construction and installation.

Depreciation is included in determining income.

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

4.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.8 Government grants related to assets

Government grants are recognised when there is reasonable assurance that the grants will be received and all attached conditions will be complied with. Government grants related to assets are presented as a deduction to the value of the related assets and are recognised in profit or loss over the useful life of the assets as a reduced depreciation expense.

4.9 Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

A summary of the intangible assets with finite useful lives is as follows:

	<u>Useful lives</u>
Computer software	3, 5, 10 years

4.10 Related party transactions

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

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

4.11 Long-term leases

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

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

4.12 Foreign currencies

The financial statements are presented in Baht, which is also the Company's functional currency.

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

Gains and losses on exchange are included in determining income.

4.13 Impairment of assets

At the end of each reporting period, the Company performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

4.14 Employee benefits

Short-term employee benefits

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

Post-employment benefits

Defined contribution plans

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

Defined benefit plans

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as defined benefit plans.

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

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

4.15 Provisions

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

4.16 Income tax

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

Current tax

The Company provides income tax in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legalisation. Corporate income tax rate is 20 percent for non-promoted operations and exemption from corporate income tax for promoted operations.

Deferred tax

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

The Company recognises deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

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

The Company records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

4.17 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company applies a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company measures fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

- Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

5. Significant accounting judgements and estimates

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

Allowance for diminution in inventory value

In determining an allowance for diminution in inventory value, the management needs to make judgement in estimating loss from slow moving and deteriorated inventories including the effect from declining in net realisable value of inventories.

Property, plant and equipment and depreciation

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

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

Deferred tax assets

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

Post-employment benefits under defined benefit plans

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

6. Related party transactions

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

	<u>2016</u>	<u>2015</u>	(Unit: Baht) <u>Transfer Pricing Policy</u>
<u>Transactions with parent company</u>			
Dividend paid	76,500,000	76,500,000	Declared rate

As at 31 December 2016 and 2015, there are no outstanding balance between the Company and related companies.

Directors and management's benefits

During the years ended 31 December 2016 and 2015, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Baht)	
	<u>2016</u>	<u>2015</u>
Short-term employee benefits	23,282,024	25,290,422
Post-employment benefits	755,418	936,178
Total	<u>24,037,442</u>	<u>26,226,600</u>

7. Cash and cash equivalents

	(Unit: Baht)	
	<u>2016</u>	<u>2015</u>
Cash	38,862	36,857
Bank deposits	<u>37,008,454</u>	<u>9,064,805</u>
Total	<u>37,047,316</u>	<u>9,101,662</u>

As at 31 December 2016, bank deposits in savings account carried interests at the rates between 0.37 and 0.38 percent per annum (2015: between 0.37 and 0.38 percent per annum).

8. Trade and other receivables

The outstanding balances of trade and other receivables as at 31 December 2016 amounting to Baht 163.8 million (2015: Baht 200.3 million) are undue trade accounts receivable. The remaining balances are other receivables.

9. Inventories

(Unit: Baht)

	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Finished goods - Ethanol	9,026,209	15,618,192	-	-	9,026,209	15,618,192
Work in process	17,220,441	16,789,115	-	-	17,220,441	16,789,115
Raw materials	90,803,999	95,423,626	-	-	90,803,999	95,423,626
Supplies	9,060,359	9,778,277	-	-	9,060,359	9,778,277
Total	<u>126,111,008</u>	<u>137,609,210</u>	<u>-</u>	<u>-</u>	<u>126,111,008</u>	<u>137,609,210</u>

10. Advance payments for purchase of goods

During the year, the Company had significant business transactions with local companies in respect of purchases of molasses and cassava chips under the purchase of molasses agreement and cassava chips agreement. To comply with the conditions in the agreements, as at 31 December 2016, the Company had paid advance payments for purchase of molasses and cassava chips amounting to Baht 543.6 million (2015: Baht 578.1 million).

11. Property, plant and equipment

(Unit: Baht)

	Land	Land improvement	Building and amenities	Machineries and equipment	Office equipment	Motor vehicles	Assets under construction and installation	Total
Cost								
1 January 2015	158,995,264	56,785,878	256,199,329	1,808,311,547	18,969,461	30,338,159	589,515,552	2,919,115,190
Additions	2,291,638	-	7,308	8,168,603	1,338,028	1,623,037	21,888,878	35,317,492
Disposal/write-off	-	-	(86,435)	(2,779,804)	(1,477,306)	(4,398,205)	-	(8,741,750)
Transfers in (out)	-	-	-	213,784,237	-	-	(213,784,237)	-
31 December 2015	161,286,902	56,785,878	256,120,202	2,027,484,583	18,830,183	27,562,991	397,620,193	2,945,690,932
Additions	12,485,600	-	101,400	5,186,716	1,069,184	5,090,500	128,916,451	152,849,851
Disposal/write-off	-	-	(1,301,864)	(1,480,847)	(1,511,598)	(3,762,174)	-	(8,056,483)
Transfers in (out)	-	-	-	101,381,370	585,670	-	(101,967,040)	-
31 December 2016	173,772,502	56,785,878	254,919,738	2,132,571,822	18,973,439	28,891,317	424,569,604	3,090,484,300
Accumulated depreciation								
1 January 2015	-	-	54,263,036	453,606,343	14,697,546	23,656,535	-	546,223,460
Depreciation for the year	-	-	9,882,758	106,892,909	2,041,021	2,286,947	-	121,103,635
Depreciation on disposal/ write-off	-	-	(54,765)	(2,563,036)	(1,440,081)	(4,394,332)	-	(8,452,214)
31 December 2015	-	-	64,091,029	557,936,216	15,298,486	21,549,150	-	658,874,881
Depreciation for the year	-	-	9,534,171	110,822,063	1,795,327	2,547,022	-	124,698,583
Depreciation on disposal/ write-off	-	-	(751,872)	(1,452,504)	(1,511,501)	(3,762,169)	-	(7,478,046)
31 December 2016	-	-	72,873,328	667,305,775	15,582,312	20,334,003	-	776,095,418
Net book value								
31 December 2015	161,286,902	56,785,878	192,029,173	1,469,548,367	3,531,697	6,013,841	397,620,193	2,286,816,051
31 December 2016	173,772,502	56,785,878	182,046,410	1,465,266,047	3,391,127	8,557,314	424,569,604	2,314,388,882
Depreciation for the year								
2015 (Baht 120 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)								121,103,635
2016 (Baht 113 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)								124,698,583

As at 31 December 2016, the Company has motor vehicles under financial lease agreement with net book value amounting to Baht 8.3 million (2015: Baht 5.5 million).

The Company has mortgaged part of its land and construction thereon and machinery with net book value as at 31 December 2016 amounting to approximately Baht 1,108.0 million (2015: Baht 1,143.4 million) as collateral for short-term and long-term loans and credit facilities granted by a commercial bank as discussed in Note 13 and 16.

During 2014, the Company received the subsidy of Baht 8.6 million from the subsidy agreement with the Energy Conservation Promotion Fund under “Biogas Technology for Industry Project”. In addition, the Company recorded accrued receipt from the subsidy of Baht 4.9 million from the subsidy agreement with the Energy Conservation Promotion Fund under “Biogas Technology for Industry Project”. The Company received such subsidy on 7 January 2015. However, the Company is required to comply with the terms under the aforementioned agreements.

As at 31 December 2016, certain machineries and equipment, office equipment and motor vehicles have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 66.4 million (2015: Baht 59.6 million).

12. Intangible assets

The net book value of intangible assets which are computer software as at 31 December 2016 and 2015 is presented below.

	(Unit: Baht)
As at 31 December 2016	
Cost	7,453,746
Less: Accumulated amortisation	<u>(5,107,556)</u>
Net book value	<u><u>2,346,190</u></u>
As at 31 December 2015	
Cost	7,720,240
Less: Accumulated amortisation	<u>(4,764,124)</u>
Net book value	<u><u>2,956,116</u></u>

A reconciliation of the net book value of intangible assets for the years 2016 and 2015 is presented below.

	(Unit: Baht)	
	<u>2016</u>	<u>2015</u>
Net book value at beginning of year	2,956,116	2,037,142
Additions	162,050	1,738,450
Write-off	(24)	(15)
Amortisation for the year	<u>(771,952)</u>	<u>(819,461)</u>
Net book value at end of year	<u><u>2,346,190</u></u>	<u><u>2,956,116</u></u>

13. Short-term loans from financial institutions

(Unit: Baht)

	Interest rate (percent per annum)		<u>2016</u>	<u>2015</u>
	<u>2016</u>	<u>2015</u>		
Promissory notes	2.85 - 3.10	3.10 - 3.30	757,265,500	862,956,500
Trust receipts	2.85	3.10	229,371,024	101,977,532
Total			<u>986,636,524</u>	<u>964,934,032</u>

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 11.

14. Trade and other payables

(Unit: Baht)

	<u>2016</u>	<u>2015</u>
	Trade payables	145,588,681
Other payables	36,742,454	9,737,638
Total trade and other payables	<u>182,331,135</u>	<u>67,908,352</u>

15. Liabilities under finance lease agreements

(Unit: Baht)

	<u>2016</u>	<u>2015</u>
	Liabilities under finance lease agreements	7,560,708
Less: Deferred interest expenses	(799,393)	(1,039,360)
Total	6,761,315	5,541,210
Less: Portion due within one year	(2,804,604)	(1,449,412)
Liabilities under finance lease agreements - net of current portion	<u>3,956,711</u>	<u>4,091,798</u>

The Company has entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in its operations, whereby it is committed to pay rental on a monthly basis. The term of the agreement is 3 and 5 years.

Future minimum lease payments required under the finance lease agreements were as follows:

	(Unit: Baht)		
	As at 31 December 2016		
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	3,225,631	4,335,077	7,560,708
Deferred interest expenses	(421,027)	(378,366)	(799,393)
Present value of future minimum lease payments	<u>2,804,604</u>	<u>3,956,711</u>	<u>6,761,315</u>

	(Unit: Baht)		
	As at 31 December 2015		
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	1,883,589	4,696,981	6,580,570
Deferred interest expenses	(434,177)	(605,183)	(1,039,360)
Present value of future minimum lease payments	<u>1,449,412</u>	<u>4,091,798</u>	<u>5,541,210</u>

16. Long-term loan

	(Unit: Baht)	
	<u>2016</u>	<u>2015</u>
Long-term loan	297,757,191	477,757,191
Less: Current portion	<u>(180,000,000)</u>	<u>(180,000,000)</u>
Long-term loan - net of current portion	<u>117,757,191</u>	<u>297,757,191</u>

Movements in the long-term loan during the year ended 31 December 2016 are summarised below.

	(Unit: Thousand Baht)
Balance as at 31 December 2015	477,757
Less: Repayment during the year	<u>(180,000)</u>
Balance as at 31 December 2016	<u><u>297,757</u></u>

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 11.

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.

The loan agreement contains several covenants which, 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 December 2016 and 2015, the Company could maintain certain financial ratios as specified in the long-term loan agreement.

17. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensations payable to employees after they retire, was as follows:

	(Unit: Baht)	
	<u>2016</u>	<u>2015</u>
Provision for long-term employee benefits at beginning of year	3,828,255	3,530,478
Included in profit or loss:		
Current service cost	1,165,478	300,764
Interest cost	114,736	124,753
Included in other comprehensive income:		
Actuarial (gain) loss arising from		
Demographic assumptions changes	-	(591,168)
Financial assumptions changes	-	582,872
Experience adjustments	-	(119,444)
Benefits paid during the year	<u>(1,127,250)</u>	<u>-</u>
Provision for long-term employee benefits at end of year	<u><u>3,981,219</u></u>	<u><u>3,828,255</u></u>
 Provision for long-term employee benefits		
Current	2,545,386	2,758,341
Non-current	<u>1,435,833</u>	<u>1,069,914</u>
	<u><u>3,981,219</u></u>	<u><u>3,828,255</u></u>

Line items in profit or loss under which long-term employee benefit expenses are recognised are as follows:

	(Unit: Baht)	
	<u>2016</u>	<u>2015</u>
Cost of sales	453,887	213,102
Selling and administrative expenses	<u>826,327</u>	<u>212,415</u>
Total expenses recognised in profit or loss	<u><u>1,280,214</u></u>	<u><u>425,517</u></u>

The Company expects to pay Baht 2.5 million of long-term employee benefits during the next year (2015: Baht 2.8 million).

As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is 14 years (2015: 14 years).

Significant actuarial assumptions are summarised below:

	(Unit: percent per annum)	
	<u>2016</u>	<u>2015</u>
Discount rate	2.9, 3.0	2.9, 3.0
Salary increase rate	5.7, 7.6	5.7, 7.6
Turnover rate	8.0 - 34.0	8.0 - 34.0

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 are summarised below:

	(Unit: Baht)	
	<u>Increase 0.5%</u>	<u>Decrease 0.5%</u>
Discount rate	(84,840)	92,484
Salary increase rate	92,494	(85,659)
Turnover rate	(108,835)	119,716

18. Statutory reserve

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

Presently, the Company has fully set aside a statutory reserve.

19. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Baht)	
	<u>2016</u>	<u>2015</u>
Raw materials and consumables used	1,880,432,987	2,011,449,753
Changes in inventories of finished goods and work in process	(6,160,657)	9,601,456
Depreciation and amortisation	125,470,535	121,923,096
Salaries, wages and other employee benefits	86,553,716	81,659,787
Electricity and fuel expenses	20,515,231	25,269,646
Repair and maintenance expenses	13,463,286	14,558,825

20. Income tax

Income tax expenses for the years ended 31 December 2016 and 2015 are made up as follows:

	(Unit: Baht)	
	<u>2016</u>	<u>2015</u>
Current income tax:		
Current income tax charge	12,606,749	5,602,486
Deferred tax:		
Relating to origination and reversal of temporary differences	<u>334,565</u>	<u>10,114,712</u>
Income tax expense reported in the statements of comprehensive income	<u>12,941,314</u>	<u>15,717,198</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2016 and 2015 are as follows:

	(Unit: Baht)	
	<u>2016</u>	<u>2015</u>
Deferred tax on actuarial gain	<u>-</u>	<u>25,548</u>

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

	(Unit: Baht)	
	<u>2016</u>	<u>2015</u>
Accounting profit before tax	<u>191,044,075</u>	<u>259,991,055</u>
Applicable tax rate	20%	20%
Accounting profit before tax multiplied by income tax rate	38,208,815	51,998,211
Effects of:		
Promotional privileges (Note 21)	(28,283,572)	(38,047,947)
Non-deductible expenses	2,625,126	716,771
Additional expense deductions allowed	(117,023)	(15,045)
Others	507,968	1,065,208
Total	<u>(25,267,501)</u>	<u>(36,281,013)</u>
Income tax expenses reported in the statement of comprehensive income	<u>12,941,314</u>	<u>15,717,198</u>

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

	(Unit: Baht)	
	Statements of financial position	
	<u>2016</u>	<u>2015</u>
Deferred tax assets		
Government grants	4,147,659	4,731,913
Financial leases	1,352,266	1,108,242
Provision for short-term employee benefits	140,357	202,262
Provision for long-term employee benefits	287,167	219,597
Total	<u>5,927,449</u>	<u>6,262,014</u>
Deferred tax liabilities		
Accumulated depreciation - Machineries	3,421,318	3,421,318
Actuarial gain	25,548	25,548
Total	<u>3,446,866</u>	<u>3,446,866</u>
Deferred tax assets, net	<u>2,480,583</u>	<u>2,815,148</u>

21. Promotional privileges

The Company has received the promotional privileges under the Investment Promotion Act B.E. 2520 as approved by the Board of Investment as follows:

Certificate No.	1760(2)/2546	2078(9)/2551
Date	26 December 2003	19 November 2008
1. Promotional privileges for	Manufacture of alcohol	Manufacture of ethanol (99.5%)
2. Significant privileges		
2.1 Exemption from corporate income tax on income derived from the promoted operations (commencing from the date of earning operating income) and exemption from income tax on dividend paid from the income of the promoted operations throughout the period in which the corporate income tax is exempted.	8 years (expired)	8 years (will expire on 1 April 2020)
2.2 Allowance to carry-forward the annual loss from promoted operations incurred during the corporate income tax exemption period to offset with net income incurred thereafter (after exemption period in 2.1).	5 years	5 years
2.3 Exemption from import duty on raw and essential materials or products used for manufacture for export commencing from the first import date.	1 year	1 year
3. Date of first earning operating income	31 January 2005	2 April 2012

As a promoted company, the Company has to comply with certain conditions and restrictions provided for in the promotional certificates.

The Company's operating revenues for the years ended 31 December 2016 and 2015 were domestic sales, which were divided between promoted and non-promoted operations are summarised below:

	(Unit: Baht)	
	<u>2016</u>	<u>2015</u>
Revenues from sales		
Promoted operations	1,507,508,145	1,646,948,656
Non-promoted operations	907,567,003	953,374,404
Total	<u>2,415,075,148</u>	<u>2,600,323,060</u>

22. Earnings per share

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

	<u>2016</u>	<u>2015</u>
Profit for the year (Baht)	178,102,761	244,273,857
Weighted average number of ordinary shares (shares)	1,000,000,000	1,000,000,000
Earnings per share (Baht)	0.18	0.24

23. 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 exclusively to the aforementioned reportable operating segment and geographical area.

For the year 2016, the Company has revenue from 3 major customers in amount of Baht 809 million, Baht 711 million and Baht 469 million (2015: revenue from 3 major customers in amount of Baht 977 million, Baht 863 million and Baht 566 million).

24. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 2 to 15 percent of basic salary. The fund, which is managed by Bank of Ayudhaya Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2016 amounting to approximately Baht 2.9 million (2015: Baht 2.5 million) were recognised as expenses.

25. Dividend paid

<u>Dividends</u>	<u>Approved by</u>	<u>Total Dividends (Baht)</u>	<u>Dividend per share (Baht)</u>	<u>Paid on</u>
<u>2016</u>				
Final dividends in respect of operation income from BOI promoted operation for the period from 1 July 2015 to 31 December 2015	Annual General Meeting of the shareholders on 18 April 2016	50,000,000	0.05	18 May 2016
Interim dividends in respect of operation income from BOI promoted operation for the period from 1 January 2016 to 30 June 2016	Board of Directors' meeting on 18 August 2016	100,000,000	0.10	16 September 2016
Total		<u>150,000,000</u>	<u>0.15</u>	
<u>2015</u>				
Final dividends in respect of operation income from BOI promoted operation for the period from 1 July 2014 to 31 December 2014	Annual General Meeting of the shareholders on 20 April 2015	50,000,000	0.05	20 May 2015
Interim dividends in respect of operation income from BOI promoted operation for the period from 1 January 2015 to 30 June 2015	Board of Directors' meeting on 20 August 2015	100,000,000	0.10	18 September 2015
Total		<u>150,000,000</u>	<u>0.15</u>	

26. Commitment and contingent liabilities

26.1 Capital commitments

As at 31 December 2016, the Company had capital commitments of approximately Baht 33.7 million, relating to the construction of Bio Scrubber and Biogas Burner (2015: the construction of Bio Scrubber of approximately Baht 33.3 million).

26.2 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 required under these operating lease and service contracts were as follows:

	(Unit: Million Baht)	
	As at 31 December	
	<u>2016</u>	<u>2015</u>
Payable:		
In up to 1 year	4.2	4.1
In over 1 year and up to 5 years	0.5	3.3

26.3 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 December 2015, the Company had commitment under service agreement with regard for the engineer consulting of Baht 0.4 million (2016: Nil).

26.4 Guarantees

As at 31 December 2016, 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 the Provincial Electricity Authority (2015: 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 the Provincial Electricity Authority).

27. 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. On 9 February 2016, the Appeal Court affirmed the judgment of the Civil Court.

Subsequently, on 7 April 2016, the Company lodged an appeal with the Supreme Court. Presently, the case is under consideration of the Supreme Court. As at 31 December 2016, the Company has not received such payment; therefore, the Company recorded allowance for impairment in advance paid to that company for a whole amount.

28. Fair value hierarchy

As at 31 December 2016 and 2015, the Company had the assets that were measured at fair value using different levels of inputs as follows:

	(Unit: Baht)			
	<u>As at 31 December 2016</u>		<u>As at 31 December 2015</u>	
	<u>Level 2</u>	<u>Total</u>	<u>Level 2</u>	<u>Total</u>
Assets measured at fair value				
Current investments - open fund	964,690	964,690	779,178	779,178

29. Financial instruments

29.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, current investments - open fund, trade and other receivables, trade and other payables, liabilities under finance lease agreements, short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company is exposed to credit risk primarily with respect to trade and other receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, most of the Company's receivables are the oil companies which have good reputation and financial position. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables as stated in the statement of financial position.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, liabilities under finance lease agreements and interest-bearing short-term and long-term loans. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

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

(Unit: Million Baht)

As at 31 December 2016						
	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	Over 1-5 years				
<u>Financial assets</u>						
Cash and cash equivalents	-	-	35.2	1.8	37.0	0.37 - 0.38
Current investments - open fund	-	-	-	0.9	0.9	-
Trade and other receivables	-	-	-	165.5	165.5	-
	-	-	35.2	168.2	203.4	
<u>Financial liabilities</u>						
Short-term loans from financial institutions						
	-	-	986.6	-	986.6	2.85 - 3.10
Trade and other payables	-	-	-	166.6	166.6	-
Liabilities under finance lease agreements						
	2.8	4.0	-	-	6.8	2.29 - 15.32
	2.8	4.0	986.6	166.6	1,160.0	

(Unit: Million Baht)

As at 31 December 2015						
	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	Over 1-5 years				
<u>Financial assets</u>						
Cash and cash equivalents	-	-	6.5	2.6	9.1	0.37 - 0.38
Current investments - open fund	-	-	-	0.8	0.8	-
Trade and other receivables	-	-	-	201.7	201.7	-
	-	-	6.5	205.1	211.6	
<u>Financial liabilities</u>						
Short-term loans from financial institutions						
	-	-	964.9	-	964.9	3.10 - 3.30
Trade and other payables	-	-	-	67.9	67.9	-
Liabilities under finance lease agreements						
	1.4	4.1	-	-	5.5	2.29 - 15.30
	1.4	4.1	964.9	67.9	1,038.3	

As at 31 December 2016, long-term loan from bank of Baht 297.8 million (2015: Baht 477.8 million) carries interest 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.

Foreign currency risk

The Company assumes no foreign currency risk from purchase and sale transactions and borrowings since most of the transactions are denominated in Thai Baht.

29.2 Fair values of financial instruments

Since the majority of the Company's financial instruments are short-term in nature and loans carrying interest at rates close to the market interest rates, their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

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

30. Capital management

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

The Company manages its capital position with reference to its debt-to-equity ratio. As at 31 December 2016, the Company's debt-to-equity ratio was 0.85:1 (2015: 0.90:1).

31. Approval of financial statements

These financial statements were authorised for issue by the authorised directors of the Company on 22 February 2017.