

Thai Agro Energy Public Company Limited
Report and interim financial statements
For the three-month period ended 31 March 2018

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 2018, 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.

Kamontip Lertwitworatep

Certified Public Accountant (Thailand) No. 4377

EY Office Limited

Bangkok: 9 May 2018

Thai Agro Energy Public Company Limited

Statement of financial position

As at 31 March 2018

		(Unit: Thousand Baht)	
	<u>Note</u>	<u>31 March 2018</u>	<u>31 December 2017</u>
		(Unaudited but reviewed)	(Audited)
Assets			
Current assets			
Cash and cash equivalents		34,484	35,313
Current investment - open fund		1,029	1,026
Trade and other receivables	4	200,778	212,815
Inventories		431,928	122,902
Advance payments for purchase of goods		163,463	38,419
Current tax assets		9,559	9,559
Other current assets		31,981	4,523
Total current assets		<u>873,222</u>	<u>424,557</u>
Non-current assets			
Property, plant and equipment	5	2,474,549	2,398,322
Intangible assets		1,800	1,866
Deferred tax assets		2,770	3,464
Other non-current assets		817	2,085
Total non-current assets		<u>2,479,936</u>	<u>2,405,737</u>
Total assets		<u><u>3,353,158</u></u>	<u><u>2,830,294</u></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 March 2018

(Unit: Thousand Baht)

	<u>Note</u>	<u>31 March 2018</u> (Unaudited but reviewed)	<u>31 December 2017</u> (Audited)
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans from financial institutions	6	1,365,709	899,068
Trade and other payables	7	161,034	159,812
Current portion of liabilities under finance lease agreements		2,973	3,255
Current portion of long-term loan	8	117,757	117,757
Income tax payable		304	-
Provision for short-term employee benefits		1,303	4,090
Other current liabilities		<u>7,077</u>	<u>13,550</u>
Total current liabilities		<u>1,656,157</u>	<u>1,197,532</u>
Non-current liabilities			
Liabilities under finance lease agreements - net of current portion		2,102	2,584
Provision for long-term employee benefits		<u>2,506</u>	<u>2,268</u>
Total non-current liabilities		<u>4,608</u>	<u>4,852</u>
Total liabilities		<u>1,660,765</u>	<u>1,202,384</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
Appropriated - general reserve		192,000	192,000
Unappropriated		<u>211,041</u>	<u>146,558</u>
Total shareholders' equity		<u>1,692,393</u>	<u>1,627,910</u>
Total liabilities and shareholders' equity		<u>3,353,158</u>	<u>2,830,294</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 2018

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

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Profit or loss:			
Revenues			
Sales		606,281	749,859
Other income		502	338
Total revenues		<u>606,783</u>	<u>750,197</u>
Expenses			
Cost of sales		509,114	648,098
Selling expenses		4,264	2,494
Administrative expenses		17,189	11,277
Loss from flood event	9	2,251	-
Total expenses		<u>532,818</u>	<u>661,869</u>
Profit before finance cost and income tax expenses		73,965	88,328
Finance cost		(8,484)	(9,560)
Profit before income tax expenses		65,481	78,768
Income tax expenses	10	(998)	(6,936)
Profit for the period		<u>64,483</u>	<u>71,832</u>
Other comprehensive income			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u><u>64,483</u></u>	<u><u>71,832</u></u>
Earnings per share	11		
Basic earnings per share			
Profit (Baht)		<u>0.06</u>	<u>0.07</u>
Weighted average number of ordinary shares (Thousand shares)		<u>1,000,000</u>	<u>1,000,000</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 2018

(Unit: Thousand Baht)

	Issued and		Capital reserve	Retained earnings			Total
	fully paid up		for share-based	Appropriated			
	share capital	Share premium	payment	Statutory	General	Unappropriated	
	share capital	Share premium	transactions	reserve	reserve	Unappropriated	Total
Balance as at 1 January 2017	1,000,000	188,796	556	100,000	-	442,298	1,731,650
Profit for the period	-	-	-	-	-	71,832	71,832
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	71,832	71,832
Balance as at 31 March 2017	<u>1,000,000</u>	<u>188,796</u>	<u>556</u>	<u>100,000</u>	<u>-</u>	<u>514,130</u>	<u>1,803,482</u>
Balance as at 1 January 2018	1,000,000	188,796	556	100,000	192,000	146,558	1,627,910
Profit for the period	-	-	-	-	-	64,483	64,483
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	64,483	64,483
Balance as at 31 March 2018	<u>1,000,000</u>	<u>188,796</u>	<u>556</u>	<u>100,000</u>	<u>192,000</u>	<u>211,041</u>	<u>1,692,393</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 2018

(Unit: Thousand Baht)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Profit before tax	65,481	78,768
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	38,615	33,424
Reversal of reduction of inventory to net realisable value	(555)	-
Gain on sales of current investments	(3)	(3)
Provision for long-term employee benefits	561	862
Interest income	(43)	(31)
Interest expenses	<u>8,476</u>	<u>9,551</u>
Profit from operating activities before changes in operating assets and liabilities	112,532	122,571
Operating assets (increase) decrease		
Trade and other receivables	12,080	(86,841)
Inventories	(308,471)	(346,378)
Advance payments for purchase of goods	(125,044)	418,786
Other current assets	(27,458)	19,212
Other non-current assets	1,268	-
Operating liabilities decrease		
Trade and other payables	(7,534)	(5,462)
Other current liabilities	(6,677)	(7,590)
Provision for long-term employee benefits	<u>(3,110)</u>	<u>(1,189)</u>
Cash from (used in) operating activities	(352,414)	113,109
Cash paid for interest expenses	<u>(8,183)</u>	<u>(10,352)</u>
Net cash from (used in) operating activities	<u>(360,597)</u>	<u>102,757</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 (continued)

For the three-month period ended 31 March 2018

(Unit: Thousand Baht)

	<u>2018</u>	<u>2017</u>
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(105,985)	(43,172)
Acquisitions of intangible assets	(35)	(5)
Net cash used in investing activities	<u>(106,020)</u>	<u>(43,177)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans from financial institutions	466,641	(80,712)
Cash paid for liabilities under finance lease agreements	(853)	(809)
Net cash from (used in) financing activities	<u>465,788</u>	<u>(81,521)</u>
Net decrease in cash and cash equivalents	(829)	(21,941)
Cash and cash equivalents at beginning of period	<u>35,313</u>	<u>37,047</u>
Cash and cash equivalents at end of period	<u><u>34,484</u></u>	<u><u>15,106</u></u>
 Supplementary cash flows information		
Non-cash related transactions from investing activities		
Payables from purchases of plant and equipment and intangible assets	43,261	14,092
Acquisitions of equipment under finance lease agreements	-	1,701

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 2018

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 Thai Accounting Standard No. 34 (revised 2017) 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.

These 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.

These 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

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

During the period, the Company has adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards and interpretations 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 period, the Federation of Accounting Professions issued Thai Financial Reporting Standard 15 Revenue from Contracts with Customers (TFRS 15), which is effective for fiscal years beginning on or after 1 January 2019. Key principles of this standard are summarised below.

TFRS 15 supersedes TAS 11 Construction Contracts and TAS 18 Revenue, together with related Interpretations. Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

At present, the management of the Company is evaluating the impact of this standard to the financial statements in the year when it is adopted.

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 2017.

3. Related party transactions

During the periods, 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 commercial terms and bases agreed upon between the Company and those related parties.

Directors and management's benefits

During the three-month periods ended 31 March 2018 and 2017, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Short-term employee benefits	6,334	5,843
Post-employment benefits	485	780
Total	<u>6,819</u>	<u>6,623</u>

(Unaudited but reviewed)

4. Trade and other receivables

	(Unit: Thousand Baht)	
	31 March	31 December
	2018	2017
Trade receivables	200,534	207,063
Other receivables	197	1,401
Accrued income	-	4,347
Interest receivable	47	4
Total trade and other receivables	<u>200,778</u>	<u>212,815</u>

The outstanding balances of trade receivables as at 31 March 2018 amounting to Baht 200.5 million (31 December 2017: Baht 207.1 million) are undue trade receivables.

5. Property, plant and equipment

Movements in the property, plant and equipment account during the three-month period ended 31 March 2018 are summarised below.

	(Unit: Thousand Baht)
Net book value as at 31 December 2017	2,398,322
Acquisitions during the period - at cost	114,728
Depreciation for the period	<u>(38,501)</u>
Net book value as at 31 March 2018	<u>2,474,549</u>

As at 31 March 2018, the Company had motor vehicles and office equipment under finance lease agreements with net book values amounting to Baht 6.9 million (31 December 2017: Baht 7.6 million).

The Company has mortgaged part of its land and construction thereon and machinery with net book value as at 31 March 2018 amounting to approximately Baht 1,092.2 million (31 December 2017: Baht 1,107.0 million) as collateral for short-term and long-term loans and credit facilities granted by a commercial bank as discussed in Note 6 and 8.

(Unaudited but reviewed)

6. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate		31 March 2018	31 December 2017
	(percent per annum)			
	31 March 2018	31 December 2017		
Promissory notes	2.75 - 3.00	2.75 - 3.00	933,530	633,210
Trust receipts	2.75	2.75 - 2.85	432,179	265,858
Total			<u>1,365,709</u>	<u>899,068</u>

Movements in short-term loans from financial institutions during the three-month period ended 31 March 2018 are summarised below.

(Unit: Thousand Baht)

Balance as at 31 December 2017	899,068
Add: Increase during the period	1,480,140
Less: Repayment during the period	<u>(1,013,499)</u>
Balance as at 31 March 2018	<u>1,365,709</u>

Credit facilities from a financial institution are secured by the mortgage of part of the Company's land and construction thereon and machinery as discussed in Note 5.

7. Trade and other payables

(Unit: Thousand Baht)

	31 March 2018	31 December 2017
Trade payables	106,662	108,561
Other payables	53,080	50,021
Dividend payables	1,292	1,230
Total trade and other payables	<u>161,034</u>	<u>159,812</u>

8. Long-term loan

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 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.

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 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 December 2017, the Company could not maintain certain financial ratios as specified in the loan agreement. However, the Company had obtained a waiver letter for the condition to maintain certain financial ratios for the years ended 31 December 2017 from a bank on 29 January 2018. As at 31 December 2017, all of long-term loan of Baht 117.8 million is current portion of long-term loan. Nevertheless, as at 31 March 2018, the Company could maintain such financial ratios.

9. Loss from flood event

In October 2017, it was inundated by flood, which caused the collapse of a part of the vinasse reservoirs at the Company's ethanol plant, resulting in overflows of treated vinasse into a village and some related agricultural areas. The Company therefore had to pay compensation and the Ministry of Industry ordered to shut down its ethanol plant temporarily in order to repair the damaged reservoirs to a safe level. The Company investigated the damages and recorded losses from flood event of Baht 73.3 million in profit or loss for the year 2017 and Baht 2.3 million in profit or loss for the three-month period ended 31 March 2018.

However, the Company has insurance covering the damages on which it is in the process of claiming compensation from the insurance company.

10. Income tax

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

Income tax expenses for the three-month periods ended 31 March 2018 and 2017 are made up as follows:

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Current income tax:		
Interim corporate income tax charge	304	7,275
Deferred tax:		
Relating to origination and reversal of temporary differences	<u>694</u>	<u>(339)</u>
Income tax expenses reported in the statement of comprehensive income	<u>998</u>	<u>6,936</u>

11. 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.

12. 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.

13. Commitments and contingent liabilities

13.1 Capital commitments

As at 31 March 2018, the Company had capital commitments of approximately Baht 409.4 million relating to the construction of Wastewater Evaporation Plant and Vinasse Evaporation Reservoirs (31 December 2017: The construction of Vinasse Evaporation Reservoirs of approximately Baht 10.6 million).

13.2 Operating lease and service 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 2018	31 December 2017
Payable:		
In up to 1 year	7.1	5.4
In over 1 year and up to 5 years	6.6	7.5

13.3 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-years 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-year 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.

13.4 Guarantees

As at 31 March 2018, there were outstanding bank guarantees of approximately Baht 5.2 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 (31 December 2017: Baht 5.2 million).

14. 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 March 2018, the Company has not received such payment. However, the Company recorded allowance for impairment for the full amount of the advance paid to that company.

15. Fair value hierarchy

As at 31 March 2018 and 31 December 2017, the Company had the assets that were measured at fair value based on levels of inputs as follows:

	(Unit: Thousand Baht)			
	As at 31 March 2018		As at 31 December 2017	
	Level 2	Total	Level 2	Total
Assets measured at fair value				
Current investment - open fund	1,029	1,029	1,026	1,026

16. Event after the reporting period

On 19 April 2018, the Annual General Meeting of the Company's shareholders passed a resolution to approve the payment of dividend from retained earnings from BOI promoted operations to the Company's shareholders for 1,000 million shares of Baht 0.15 per share, or a total of Baht 150 million. The interim dividends were paid on 15 September 2017 of Baht 0.10 per share, amounting to Baht 100 million, and there is the remaining dividend of Baht 0.05 per share, amounting to Baht 50 million. The Company will pay such dividend on 18 May 2018.

17. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised directors on 9 May 2018.