

Thai Agro Energy Public Company Limited
Report and interim financial statements
For the three-month and nine-month periods ended
30 September 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 30 September 2018, the related statements of comprehensive income for the three-month and nine-month periods ended 30 September 2018, the related statements of changes in shareholders' equity and cash flows for the nine-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: 6 November 2018

Thai Agro Energy Public Company Limited**Statement of financial position****As at 30 September 2018**

		(Unit: Thousand Baht)	
	<u>Note</u>	<u>30 September 2018</u>	<u>31 December 2017</u>
		(Unaudited but reviewed)	(Audited)
Assets			
Current assets			
Cash and cash equivalents		18,960	35,313
Current investment - open fund		1,034	1,026
Trade and other receivables	4	201,725	212,815
Inventories		393,222	122,902
Advance payments for purchase of goods		73,032	38,419
Current tax assets		9,559	9,559
Valued added tax refundable		19,842	-
Other current assets		3,515	4,523
Total current assets		<u>720,889</u>	<u>424,557</u>
Non-current assets			
Property, plant and equipment	5	2,719,731	2,398,322
Intangible assets		2,740	1,866
Deferred tax assets		2,541	3,464
Other non-current assets		769	2,085
Total non-current assets		<u>2,725,781</u>	<u>2,405,737</u>
Total assets		<u><u>3,446,670</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 30 September 2018

(Unit: Thousand Baht)

	<u>Note</u>	<u>30 September 2018</u> (Unaudited but reviewed)	<u>31 December 2017</u> (Audited)
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans from financial institutions	6	1,289,723	899,068
Trade and other payables	7	164,282	159,812
Current portion of liabilities under finance lease agreements		2,379	3,255
Current portion of long-term loans	8	27,757	117,757
Income tax payable		6,128	-
Provision for short-term employee benefits		1,961	4,090
Other current liabilities		17,314	13,550
Total current liabilities		<u>1,509,544</u>	<u>1,197,532</u>
Non-current liabilities			
Liabilities under finance lease agreements - net of current portion		1,143	2,584
Long-term loans from financial institution - net of current portion	8	259,405	-
Provision for long-term employee benefits		2,991	2,268
Total non-current liabilities		<u>263,539</u>	<u>4,852</u>
Total liabilities		<u>1,773,083</u>	<u>1,202,384</u>
Shareholders' equity			
Share capital			
Registered			
1,000,000,000 ordinary shares of Baht 1 each		1,000,000	1,000,000
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		192,235	146,558
Total shareholders' equity		<u>1,673,587</u>	<u>1,627,910</u>
Total liabilities and shareholders' equity		<u>3,446,670</u>	<u>2,830,294</u>
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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 and nine-month periods ended 30 September 2018

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

	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
Note	2018	2017	2018	2017
Profit or loss:				
Revenues				
Sales	630,924	685,885	1,952,620	2,222,648
Other income	523	413	1,523	1,430
Total revenues	631,447	686,298	1,954,143	2,224,078
Expenses				
Cost of sales	527,301	609,993	1,658,329	1,978,476
Selling expenses	3,917	1,788	11,179	6,181
Administrative expenses	11,988	11,385	45,665	36,198
Loss from flood event	9	-	2,251	-
Total expenses	543,206	623,166	1,717,424	2,020,855
Profit before finance cost and income tax	88,241	63,132	236,719	203,223
Finance cost	-10,012	-7,509	-29,236	(26,359)
Profit before income tax	78,229	55,623	207,483	176,864
Income tax	10	(6,028)	(11,821)	(6,565)
Profit for the period	72,201	57,795	195,662	170,299
Other comprehensive income				
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	72,201	57,795	195,662	170,299
Earnings per share				
11				
Basic earnings per share				
Profit (Baht)	0.07	0.06	0.20	0.17
Weighted average number of ordinary shares				
(Thousand shares)	1,000,000	1,000,000	1,000,000	1,000,000

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 nine-month period ended 30 September 2018

(Unit: Thousand Baht)

	Issued and fully paid up share capital	Share premium	Capital reserve for share-based payment transactions	Retained earnings			Total
				Statutory reserve	General reserve	Unappropriated	
Balance as at 1 January 2017	1,000,000	188,796	556	100,000	-	442,298	1,731,650
Profit for the period	-	-	-	-	-	170,299	170,299
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	170,299	170,299
Dividend paid (Note 12)	-	-	-	-	-	(150,000)	(150,000)
Unappropriated retained earnings transferred to general reserve	-	-	-	-	192,000	(192,000)	-
Balance as at 30 September 2017	<u>1,000,000</u>	<u>188,796</u>	<u>556</u>	<u>100,000</u>	<u>192,000</u>	<u>270,597</u>	<u>1,751,949</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	-	-	-	-	-	195,662	195,662
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	195,662	195,662
Dividend paid (Note 12)	-	-	-	-	-	(149,985)	(149,985)
Balance as at 30 September 2018	<u>1,000,000</u>	<u>188,796</u>	<u>556</u>	<u>100,000</u>	<u>192,000</u>	<u>192,235</u>	<u>1,673,587</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 nine-month period ended 30 September 2018

(Unit: Thousand Baht)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Profit before tax	207,483	176,864
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	118,551	107,106
Reversal of reduction of inventory to net realisable value	(555)	-
Gain on sales of current investments	(8)	(58)
Provision for long-term employee benefits	1,704	1,601
Interest income	(99)	(112)
Interest expenses	<u>29,113</u>	<u>26,215</u>
Profit from operating activities before changes in operating assets and liabilities	356,189	311,616
Operating assets (increase) decrease		
Trade and other receivables	11,115	(79,732)
Inventories	(269,765)	15,876
Advance payments for purchase of goods	(34,613)	494,564
Other current assets	(18,834)	27,648
Other non-current assets	1,316	(48)
Operating liabilities increase (decrease)		
Trade and other payables	(25,939)	(73,035)
Other current liabilities	1,465	14,255
Provision for long-term employee benefits	<u>(3,110)</u>	<u>(1,189)</u>
Cash from operating activities	17,824	709,955
Cash received from interest income	74	78
Cash paid for interest expenses	(26,572)	(26,329)
Cash paid for income tax	<u>(4,770)</u>	<u>(10,552)</u>
Net cash from (used in) operating activities	<u>(13,444)</u>	<u>673,152</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 nine-month period ended 30 September 2018

(Unit: Thousand Baht)

	<u>2018</u>	<u>2017</u>
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(409,057)	(161,826)
Increase in current investments	-	(150,000)
Acquisitions of intangible assets	(1,368)	(148)
Proceeds from sales of current investments	-	150,000
Net cash used in investing activities	<u>(410,425)</u>	<u>(161,974)</u>
Cash flows from financing activities		
Increase (decrease) in short-term loans from financial institutions	390,655	(294,287)
Increase in long-term loans from financial institutions	259,405	-
Cash paid for liabilities under finance lease agreements	(2,559)	(2,485)
Repayment of long-term loan	(90,000)	(90,000)
Cash paid for dividend	(149,985)	(150,000)
Net cash from (used in) financing activities	<u>407,516</u>	<u>(536,772)</u>
Net decrease in cash and cash equivalents	(16,353)	(25,594)
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>18,960</u>	<u>11,453</u>
Supplementary cash flows information		
Non-cash related transaction from investing activities		
Accounts payable from purchases of plant, equipment and intangible assets	64,914	1,667
Acquisition of equipment under finance lease agreements	-	1,996

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 and nine-month periods ended 30 September 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 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 standards 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 and a set of 5 standards related to financial instruments, which are effective for fiscal years beginning on or after 1 January 2020. Key principles of these standards are summarised below.

TFRS 15 Revenue from Contracts with Customers

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.

The management of the Company is currently evaluating the impact of this standard to the financial statements in the year when it is adopted.

Thai Financial Reporting Standards related to financial instruments

The set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 9	Financial Instruments
TFRS 7	Financial Instruments: Disclosures

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company is currently evaluating the impact of these standards to the financial statements in the year when they are 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.

	(Unit: Thousand Baht)				
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September		<u>Transfer Pricing Policy</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
Transactions with parent company					
Dividend paid	51,000	51,000	76,500	76,500	Declared rate

As at 30 September 2018 and 31 December 2017, there are no outstanding balance between the Company and related companies.

(Unaudited but reviewed)

Directors and management's benefits

During the three-month and nine-month periods ended 30 September 2018 and 2017, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Short-term employee benefits	6,234	5,848	21,037	20,049
Post-employment benefits	491	450	1,467	1,347
Total	<u>6,725</u>	<u>6,298</u>	<u>22,504</u>	<u>21,396</u>

4. Trade and other receivables

	(Unit: Thousand Baht)	
	30 September 2018	31 December 2017
	<u>2018</u>	<u>2017</u>
Trade receivables	199,866	207,063
Other receivables	1,830	1,401
Accrued income	-	4,347
Interest receivable	29	4
Total trade and other receivables	<u>201,725</u>	<u>212,815</u>

The outstanding balances of trade receivables as at 30 September 2018 amounting to Baht 199.9 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 nine-month period ended 30 September 2018 are summarised below.

	(Unit: Thousand Baht)
Net book value as at 31 December 2017	2,398,322
Acquisitions during the period - at cost	439,459
Depreciation for the period	<u>(118,050)</u>
Net book value as at 30 September 2018	<u>2,719,731</u>

As at 30 September 2018, the Company had motor vehicles and office equipment under finance lease agreements with net book values amounting to Baht 5.5 million (31 December 2017: Baht 7.6 million).

(Unaudited but reviewed)

As at 30 September 2018, the Company had an outstanding balance of the construction of Wastewater Evaporation Plant amounting to Baht 290.2 million (2017: Nil). The construction has been financed with a loan from a financial institution. Borrowing costs amounting to Baht 1.7 million and Baht 2.0 million were capitalised during the three-month and nine-month periods ended 30 September 2018, respectively (2017: Nil). The weighted average rate of 2.92 - 3.32 percent per annum has been used to determine the amount of borrowing costs eligible for capitalisation.

The Company has mortgaged part of its land and construction thereon and machinery with net book value as at 30 September 2018 amounting to approximately Baht 1,638.80 million (31 December 2017: Baht 1,713.6 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.

6. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate (percent per annum)		30 September 2018	31 December 2017
	30 September 2018	31 December 2017		
Promissory notes	2.60 - 3.00	2.75 - 3.00	835,128	633,210
Trust receipts	2.75	2.75 - 2.85	454,595	265,858
Total			<u>1,289,723</u>	<u>899,068</u>

Movements in short-term loans from financial institutions during the nine-month period ended 30 September 2018 are summarised below.

(Unit: Thousand Baht)

Balance as at 31 December 2017	899,068
Add: Increase during the period	4,069,896
Less: Repayment during the period	<u>(3,679,241)</u>
Balance as at 30 September 2018	<u>1,289,723</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)

	30 September 2018	31 December 2017
Trade payables	87,886	108,561
Other payables	75,166	50,021
Dividend payables	1,230	1,230
Total trade and other payables	<u>164,282</u>	<u>159,812</u>

(Unaudited but reviewed)

8. Long-term loans

	(Unit: Thousand Baht)	
	30 September 2018	31 December 2017
Long-term loan	287,162	117,757
Less: Current portion	(27,757)	(117,757)
Long-term loan - net of current portion	<u>259,405</u>	<u>-</u>

Movements in the long-term loan account during the nine-month period ended 30 September 2018 are summarised below.

	(Unit: Thousand Baht)
Balance as at 31 December 2017	117,757
Add: Additional loan withdrew during the period	259,405
Less: Repayment during the period	<u>(90,000)</u>
Balance as at 30 September 2018	<u>287,162</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 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 year 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 30 September 2018, the Company could maintain such financial ratios.

On 15 May 2018, the Company entered into long-term loan agreement with a local bank, obtaining loan facilities of Baht 418 million. The first loan facilities of Baht 150.8 million had been drawn by the Company on 8 June 2018. The loan initially carries interest at 3M THBFIX reference rate plus 1.95 percent per annum and is repayable the first installment in the last day of the eighteenth month since the Company withdrew the loan. The loan is repayable within 6 years in 10 semi-annually installments of Baht 42 million during the first to ninth year, and remaining balance is repayable in the tenth year. 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.

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 30 September 2018, the Company could maintain certain financial ratios as specified in the long-term loan agreement.

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 nine-month period ended 30 September 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 and nine-month periods ended 30 September 2018 and 2017 are made up as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current income tax:				
Interim corporate income tax charge	6,129	(2,172)	10,898	7,056
Deferred tax:				
Relating to origination and reversal of temporary differences	<u>(101)</u>	<u>-</u>	<u>923</u>	<u>(491)</u>
Income tax expenses reported in the statements of comprehensive income	<u>6,028</u>	<u>(2,172)</u>	<u>11,821</u>	<u>6,565</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. Dividend Paid

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)	Paid on
<u>2018</u>				
Final dividends in respect of operation income from BOI promoted operation for the period from 1 July 2017 to 31 December 2017	Annual General Meeting of the shareholders on 19 April 2018	50,000	0.05	18 May 2018
Interim dividends in respect of operation income from BOI promoted operation for the period from 1 January 2018 to 30 June 2018	Board of Directors' meeting on 16 August 2018	99,985	0.10	14 September 2018
Total		149,985	0.15	
<u>2017</u>				
Final dividends in respect of operation income from BOI promoted operation for the period from 1 July 2016 to 31 December 2016	Annual General Meeting of the shareholders on 24 April 2017	50,000	0.05	23 May 2017
Interim dividends in respect of operation income from BOI promoted operation for the period from 1 January 2017 to 30 June 2017	Board of Directors' meeting on 17 August 2017	100,000	0.10	15 September 2017
Total		150,000	0.15	

13. 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.

14. Commitments and contingent liabilities**14.1 Capital commitments**

As at 30 September 2018, the Company had capital commitments of approximately Baht 140.5 million relating to the construction of Wastewater Evaporation Plant and other projects (31 December 2017: The construction of Vinasse Evaporation Reservoirs of approximately Baht 10.6 million).

14.2 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)	
	30 September 2018	31 December 2017
	<hr/>	<hr/>
Payable:		
In up to 1 year	5.5	5.4
In over 1 year and up to 5 years	4.8	7.5

14.3 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. For the sixth year onwards, the price is to be determined in each year. 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.

14.4 Guarantees

As at 30 September 2018, there were outstanding bank guarantees of approximately Baht 5 million issued by the bank on behalf of the Company to guarantee contracted performance under the agreement for using of electric to the Provincial Electricity Authority (31 December 2017: Baht 5.2 million).

15. 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.

(Unaudited but reviewed)

Subsequently on 7 April 2016, the Company lodged an appeal with the Supreme Court and on 18 May 2018, the Company sued that company for bankruptcy case. Presently, the case is under consideration of the Courts. As at 30 September 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.

16. Fair value hierarchy

As at 30 September 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 30 September 2018		As at 31 December 2017	
	Level 2	Total	Level 2	Total
Assets measured at fair value				
Current investment - open fund	1,034	1,034	1,026	1,026

17. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised directors on 6 November 2018.