

Thai Agro Energy Public Company Limited  
Report and financial statements  
31 December 2019

## **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 2019, 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 2019, 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 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 described below.

#### *Revenue recognition*

Major revenue of the Company is derived from production and distribution of ethanol. The Company recognised revenue, based on the contractual price, when control of goods is transferred to the customer, generally on delivery goods. The price is based on the market price with adjusted by other factors . 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. In addition, selling prices are based on the fluctuated market price and current demands. I therefore gave significant attention to the 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.

I am responsible for the audit resulting in this independent auditor's report.

Kamontip Lertwitworatep  
Certified Public Accountant (Thailand) No. 4377

EY Office Limited  
Bangkok: 17 February 2020

**Thai Agro Energy Public Company Limited**

**Statement of financial position**

**As at 31 December 2019**

(Unit: Baht)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	25,440,854	32,191,300
Current investments - open fund		1,055,719	1,036,827
Trade and other receivables	8	200,305,368	275,888,441
Inventories	9	424,486,868	141,607,556
Advance payments for purchase of goods	10	602,561,591	545,127,582
Current tax assets		-	9,559,492
Other current assets		<u>49,052,522</u>	<u>4,333,308</u>
<b>Total current assets</b>		<u>1,302,902,922</u>	<u>1,009,744,506</u>
<b>Non-current assets</b>			
Biological assets	11	1,957,439	-
Property, plant and equipment	12	2,826,018,145	2,756,063,957
Intangible assets	13	2,006,169	2,662,311
Deferred tax assets	22	2,977,566	3,033,208
Other non-current assets		<u>768,760</u>	<u>768,760</u>
<b>Total non-current assets</b>		<u>2,833,728,079</u>	<u>2,762,528,236</u>
<b>Total assets</b>		<u><u>4,136,631,001</u></u>	<u><u>3,772,272,742</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 December 2019**

(Unit: Baht)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Short-term loans from financial institutions	14	1,391,293,739	1,174,712,145
Trade and other payables	15	161,020,562	145,536,882
Current portion of liabilities under finance lease agreements	16	3,008,443	2,094,663
Current portion of long-term loans	17	143,834,250	102,000,000
Income tax payable		1,769,824	22,285,607
Provision for short-term employee benefits	18	57,096	2,291,033
Other current liabilities		25,055,844	21,237,376
<b>Total current liabilities</b>		<u>1,726,039,758</u>	<u>1,470,157,706</u>
<b>Non-current liabilities</b>			
Liabilities under finance lease agreements - net of current portion	16	8,979,997	709,629
Long-term loans - net of current portion	17	460,281,427	525,968,432
Provision for long-term employee benefits	18	5,502,210	3,234,253
<b>Total non-current liabilities</b>		<u>474,763,634</u>	<u>529,912,314</u>
<b>Total liabilities</b>		<u>2,200,803,392</u>	<u>2,000,070,020</u>
<b>Shareholders' equity</b>			
Share capital			
Registered			
1,000,000,000 ordinary shares of Baht 1 each		1,000,000,000	1,000,000,000
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	19	100,000,000	100,000,000
Appropriated - general reserve		192,000,000	192,000,000
Unappropriated		454,475,173	290,850,286
<b>Total shareholders' equity</b>		<u>1,935,827,609</u>	<u>1,772,202,722</u>
<b>Total liabilities and shareholders' equity</b>		<u>4,136,631,001</u>	<u>3,772,272,742</u>
		-	-

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 2019**

(Unit: Baht)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<b>Profit or loss:</b>			
<b>Revenues</b>			
Revenue from contracts with customers	23	2,534,001,580	2,696,075,842
Other income		<u>43,223,562</u>	<u>1,777,317</u>
<b>Total revenues</b>		<u>2,577,225,142</u>	<u>2,697,853,159</u>
<b>Expenses</b>			
Cost of sales	20	1,924,473,971	2,257,914,803
Selling and distribution expenses		21,452,430	17,034,842
Administrative expenses		64,773,742	58,098,085
Damage from flood	21	<u>-</u>	<u>2,250,927</u>
<b>Total expenses</b>		<u>2,010,700,143</u>	<u>2,335,298,657</u>
<b>Profit before finance cost and income tax</b>		566,524,999	362,554,502
Finance cost		<u>(36,785,941)</u>	<u>(40,791,563)</u>
<b>Profit before income tax</b>		529,739,058	321,762,939
Income tax	22	<u>(16,114,191)</u>	<u>(27,485,679)</u>
<b>Profit for the year</b>		<u>513,624,867</u>	<u>294,277,260</u>
<b>Other comprehensive income:</b>			
<b>Other comprehensive income for the year</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>513,624,867</u>	<u>294,277,260</u>
<b>Earnings per share</b>			
Basic earnings per share	24		
Profit for the year		<u>0.51</u>	<u>0.29</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 2019**

(Unit: Baht)

	Note	Issued and fully paid up		Capital reserve	Retained earnings			Total
		share capital	Share premium	for share-based payment transactions	Appropriated			
					Statutory reserve	General reserve	Unappropriated	
<b>Balance as at 1 January 2018</b>		1,000,000,000	188,795,985	556,451	100,000,000	192,000,000	146,557,926	1,627,910,362
Profit for the year		-	-	-	-	-	294,277,260	294,277,260
Other comprehensive income for the year		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-	294,277,260	294,277,260
Dividend paid	27	-	-	-	-	-	(149,984,900)	(149,984,900)
<b>Balance as at 31 December 2018</b>		<u>1,000,000,000</u>	<u>188,795,985</u>	<u>556,451</u>	<u>100,000,000</u>	<u>192,000,000</u>	<u>290,850,286</u>	<u>1,772,202,722</u>
<b>Balance as at 1 January 2019</b>		1,000,000,000	188,795,985	556,451	100,000,000	192,000,000	290,850,286	1,772,202,722
Profit for the year		-	-	-	-	-	513,624,867	513,624,867
Other comprehensive income for the year		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-	513,624,867	513,624,867
Dividend paid	27	-	-	-	-	-	(349,999,980)	(349,999,980)
<b>Balance as at 31 December 2019</b>		<u>1,000,000,000</u>	<u>188,795,985</u>	<u>556,451</u>	<u>100,000,000</u>	<u>192,000,000</u>	<u>454,475,173</u>	<u>1,935,827,609</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 2019**

	(Unit: Baht)	
	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Profit before tax	529,739,058	321,762,939
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	167,169,052	159,409,025
Reversal of inventory to net realisable value	-	(555,027)
Reversal of allowance for impairment in advance payments for purchase of goods	(204,878)	-
Write-off current tax assets	2,493,422	-
Gain on disposals of equipment	(1,332,504)	-
Loss on write-off of fixed assets	4	-
Unrealised gain on change in value of current investment - open fund	(18,892)	(10,937)
Provision for long-term employee benefits	1,345,365	2,277,607
Interest income	(123,645)	(128,972)
Interest expenses	<u>36,769,500</u>	<u>40,227,673</u>
Profit from operating activities before changes in operating assets and liabilities	735,836,482	522,982,308
Operating assets (increase) decrease		
Trade and other receivables	75,588,363	(63,074,466)
Current tax assets	7,066,070	-
Inventories	(282,879,312)	(18,150,908)
Advance payment for purchase of goods	(57,229,131)	(506,708,370)
Other current assets	(44,719,778)	189,101
Other non-current assets	-	1,315,800
Operating liabilities increase (decrease)		
Trade and other payables	56,388,524	(39,827,681)
Other current liabilities	3,931,055	4,656,781
Provision for long-term employee benefits	<u>(1,311,345)</u>	<u>(3,109,860)</u>
Cash from (used in) operating activities	492,670,928	(101,727,295)
Cash received from interest income	118,355	129,802
Cash paid for interest expenses	(36,589,469)	(36,891,634)
Cash paid for income tax	<u>(36,573,768)</u>	<u>(4,768,669)</u>
<b>Net cash from (used in) operating activities</b>	<u>419,626,046</u>	<u>(143,257,796)</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 2019**

	(Unit: Baht)	
	<u>2019</u>	<u>2018</u>
<b>Cash flows from investing activities</b>		
Acquisitions of Mangium sprout and planting cost	(1,957,439)	-
Acquisitions of property, plant and equipment	(265,704,070)	(491,009,415)
Acquisitions of intangible assets	(352,983)	(1,373,077)
Proceeds from disposals equipment	1,785,981	-
<b>Net cash used in investing activities</b>	<u>(266,228,511)</u>	<u>(492,382,492)</u>
<b>Cash flows from financing activities</b>		
Increase in short-term loans from financial institution - net	216,581,594	275,644,116
Increase in long-term loans from financial institution	77,981,495	627,968,432
Repayment of long-term loans	(102,000,000)	(117,757,191)
Cash paid for liabilities under finance lease agreements	(2,756,400)	(3,340,031)
Cash paid for dividend	(349,954,670)	(149,996,987)
<b>Net cash from (used in) financing activities</b>	<u>(160,147,981)</u>	<u>632,518,339</u>
<b>Net decrease in cash and cash equivalents</b>	(6,750,446)	(3,121,949)
Cash and cash equivalents at beginning of year	<u>32,191,300</u>	<u>35,313,249</u>
<b>Cash and cash equivalents at end of year (Note 7)</b>	<u><u>25,440,854</u></u>	<u><u>32,191,300</u></u>

**Supplemental cash flows information**

Non-cash related transaction from investing activities

Accounts payables from purchases of plant and  
equipment and intangible assets

19,119,844                      60,069,998

Acquisitions of equipment under finance lease agreements

11,751,940                      -

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 2019**

#### **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 their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, 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**

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

During the year, the Company has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements. However, the new standard involves changes to key principles, which are summarised below:

## **TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related interpretations.

TAS 11 (revised 2017)	Construction Contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

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.

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

### **(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020**

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards except the following new standards which involve changes to key principles, which are summarised below.

## **Financial reporting standards related to financial instruments**

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

Financial reporting standards:

TFRS 7                      Financial Instruments: Disclosures

TFRS 9                      Financial Instruments

Accounting standard:

TAS 32                      Financial Instruments: Presentation

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 believes that the adoption of these standards will not have any significant impact on the financial statements.

### **TFRS 16 Leases**

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

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

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### *Sales of goods*

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting discounts to customers.

#### *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 and work in process are valued at the lower of cost (under the weighted average method) and net realisable value. Such cost includes all production cost and attributable factory overheads.

Raw materials and 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.

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



#### **4.6 Agriculture**

The Company's biological assets consist of Mangium which was measured at its fair value less costs to sell. The fair value of Mangium is determined based on discounted cash flows/ reference to price of Mangium at the point of harvest. Gains or losses on changes in fair value of biological asset is recognised in profit or loss.

In case the fair value cannot be measured reliably, this biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a biological asset becomes reliably measurable, the Company shall measure it at its fair value less costs to sell.

#### **4.7 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.

#### **4.8 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 is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from defined benefit plans are recognised immediately in other comprehensive income.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment and the date that the Company recognised restructuring - related costs.

### **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 techniques 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 categories 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:

## **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

## **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, were concluded on agreed upon between the Company and those related parties.

	<u>2019</u>	<u>2018</u>	(Unit: Baht) <u>Transfer Pricing Policy</u>
<u>Transactions with parent company</u>			
Dividend paid	178,500,000	76,500,000	Declared rate

As at 31 December 2019 and 2018, there are no outstanding balance between the Company and related companies.

### Directors and management's benefits

During the years ended 31 December 2019 and 2018, the Company had employee benefit expenses payable to its directors and management as below.

	<u>2019</u>	<u>2018</u>	(Unit: Baht)
Short-term employee benefits	28,199,638	28,164,342	
Post-employment benefits	276,621	1,957,325	
Total	<u>28,476,259</u>	<u>30,121,667</u>	

## 7. Cash and cash equivalents

	<u>2019</u>	<u>2018</u>	(Unit: Baht)
Cash	44,872	26,311	
Bank deposits	25,395,982	32,164,989	
Total	<u>25,440,854</u>	<u>32,191,300</u>	

As at 31 December 2019, bank deposits in savings accounts carried interests at the rates between 0.10 and 0.35 percent per annum (2018: between 0.10 and 0.38 percent per annum).

## 8. Trade and other receivables

	(Unit: Baht)	
	<u>2019</u>	<u>2018</u>
Trade receivables	191,252,891	238,528,362
Other receivables	8,544,040	6,368,162
Loans to employee	500,474	-
Value added tax refundable	-	30,989,244
Interest receivable	7,963	2,673
Total trade and other receivables	<u>200,305,368</u>	<u>275,888,441</u>

The outstanding balances of trade receivables as at 31 December 2019 amounting to Baht 191.3 million (2018: Baht 238.5 million) are undue trade receivables.

## 9. Inventories

	(Unit: Baht)					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Finished goods	76,134,017	23,685,243	-	-	76,134,017	23,685,243
Work in process	14,197,796	12,275,716	-	-	14,197,796	12,275,716
Raw materials	320,009,247	94,018,509	-	-	320,009,247	94,018,509
Supplies	14,145,808	11,628,088	-	-	14,145,808	11,628,088
Total	<u>424,486,868</u>	<u>141,607,556</u>	<u>-</u>	<u>-</u>	<u>424,486,868</u>	<u>141,607,556</u>

During 2018, the Company reversed the write-down of cost of inventories by Baht 0.6 million, and reduced the amount of inventories recognised as cost during the year.

## 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 raw sugar under the purchase of molasses agreement and raw sugar agreements. To comply with the conditions in the agreements, as at 31 December 2019, the Company had paid advance payments for purchase of molasses and raw sugar amounting to Baht 602.6 million (2018: Baht 545.1 million).



## 11. Biological assets

	(Unit: Baht)
<b>Balance as at 1 January 2019</b>	-
Increase due to cost of planting	<u>1,957,439</u>
<b>Balance as at 31 December 2019</b>	<u>1,957,439</u>

## 12. Property, plant and equipment

						(Unit: Baht)	
	Land and land improvement	Building and amenities	Machineries and equipment	Office equipment	Motor vehicles	Assets under construction and installation	Total
<b>Cost</b>							
1 January 2018	279,782,631	320,058,517	2,632,236,911	19,956,907	30,628,217	36,369,829	3,319,033,012
Additions	16,394,415	3,058,848	9,272,977	1,909,717	119,000	485,681,163	516,436,120
Transfers in (out)	-	158,312,541	2,043,552	-	-	(160,356,093)	-
31 December 2018	296,177,046	481,429,906	2,643,553,440	21,866,624	30,747,217	361,694,899	3,835,469,132
Purchase	10,723,200	5,677,263	13,141,943	2,762,347	14,561,437	189,839,329	236,705,519
Disposals/write-off	-	-	-	-	(9,368,703)	-	(9,368,703)
Transfers in (out)	153,000	75,685,869	50,429,606	-	-	(126,268,475)	-
31 December 2019	307,053,246	562,793,038	2,707,124,989	24,628,971	35,939,951	425,265,753	4,062,805,948
<b>Accumulated depreciation</b>							
1 January 2018	-	83,899,835	796,847,926	16,908,313	23,054,907	-	920,710,981
Depreciation for the year	-	17,563,922	136,824,033	1,527,417	2,778,822	-	158,694,194
31 December 2018	-	101,463,757	933,671,959	18,435,730	25,833,729	-	1,079,405,175
Depreciation for the year	-	24,585,549	136,479,373	1,774,291	3,458,637	-	166,297,850
Depreciation for disposals/write-off	-	-	-	-	(8,915,222)	-	(8,915,222)
31 December 2019	-	126,049,306	1,070,151,332	20,210,021	20,377,144	-	1,236,787,803
<b>Net book value</b>							
31 December 2018	<u>296,177,046</u>	<u>379,966,149</u>	<u>1,709,881,481</u>	<u>3,430,894</u>	<u>4,913,488</u>	<u>361,694,899</u>	<u>2,756,063,957</u>
31 December 2019	<u>307,053,246</u>	<u>436,743,732</u>	<u>1,636,973,657</u>	<u>4,418,950</u>	<u>15,562,807</u>	<u>425,265,753</u>	<u>2,826,018,145</u>
<b>Depreciation for the year</b>							
2018 (Baht 156 million included in manufacturing cost, and the balance in selling and distribution expenses and administrative expenses)							<u>158,694,194</u>
2019 (Baht 162 million included in manufacturing cost, and the balance in selling and distribution expenses and administrative expenses)							<u>166,297,850</u>

As at 31 December 2019, the Company had an outstanding balance of the construction of Wastewater Evaporation Plant amounting to Baht 374.4 million (2018: Baht 350.9 million). The construction has been financed with loans from a financial institution. Borrowing costs amounting to Baht 11.4 million were capitalised during the year (2018: Baht 4.4 million). The weighted average rate of 3.1 to 3.8 percent per annum has been used to determine the amount of borrowing costs eligible for capitalisation (2018: 2.9 to 3.7 percent per annum).

As at 31 December 2019, the Company has office equipment and motor vehicles under finance lease agreements with net book value amounting to Baht 12.9 million (2018: Baht 4.8 million).

The Company has mortgaged part of its land and construction thereon and machinery with net book value as at 31 December 2019 amounting to approximately Baht 1,513.7 million (2018: Baht 1,613.6 million) as collateral for short-term and long-term loans and credit facilities granted by a commercial bank as discussed in Note 14 and 17.

As at 31 December 2019, 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 108.1 million (2018: Baht 92.0 million).

### 13. Intangible assets

The net book value of intangible assets which are computer software as at 31 December 2019 and 2018 is presented below.

	(Unit: Baht)	
	<u>2019</u>	<u>2018</u>
Cost	9,332,046	9,116,986
Less: Accumulated amortisation	<u>(7,325,877)</u>	<u>(6,454,675)</u>
Net book value	<u><u>2,006,169</u></u>	<u><u>2,662,311</u></u>

A reconciliation of the net book value of intangible assets for the years 2019 and 2018 is presented below.

	(Unit: Baht)	
	<u>2019</u>	<u>2018</u>
Net book value at beginning of year	2,662,311	1,866,142
Additions	215,060	1,511,000
Amortisation for the year	<u>(871,202)</u>	<u>(714,831)</u>
Net book value at end of year	<u><u>2,006,169</u></u>	<u><u>2,662,311</u></u>

#### 14. Short-term loans from financial institutions

	Interest rate (percent per annum)		(Unit: Baht)	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Promissory notes	2.75 - 2.95	2.75 - 2.95	943,222,000	882,905,000
Trust receipts	2.53 - 2.73	2.75	448,071,739	291,807,145
Total			<u>1,391,293,739</u>	<u>1,174,712,145</u>

Movements in the short-term loans during the year ended 31 December 2019 are summarised below.

	(Unit: Baht)
<b>Balance as at 1 January 2019</b>	1,174,712,145
Add: Additional borrowings	2,475,587,375
Less: Repayment during the year	<u>(2,259,005,781)</u>
<b>Balance as at 31 December 2019</b>	<u>1,391,293,739</u>

Credit facilities of 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 12.

As at 31 December 2019, the short-term credit facilities of the Company which have not yet been drawn amounted to Baht 668.7 million (2018: Baht 885.3 million).

#### 15. Trade and other payables

	(Unit: Baht)	
	<u>2019</u>	<u>2018</u>
Trade payables	124,476,898	62,996,703
Other payables	35,280,709	81,322,534
Dividend payables	1,262,955	1,217,645
Total trade and other payables	<u>161,020,562</u>	<u>145,536,882</u>

## 16. Liabilities under finance lease agreements

	(Unit: Baht)	
	<u>2019</u>	<u>2018</u>
Liabilities under finance lease agreements	12,342,293	2,887,577
Less: Deferred interest expenses	<u>(353,853)</u>	<u>(83,285)</u>
Total	11,988,440	2,804,292
Less: Portion due within one year	<u>(3,008,443)</u>	<u>(2,094,663)</u>
Liabilities under finance lease agreements - net of current portion	<u>8,979,997</u>	<u>709,629</u>

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

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

	(Unit: Baht)		
	<u>As at 31 December 2019</u>		
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	3,141,313	9,200,980	12,342,293
Deferred interest expenses	<u>(132,870)</u>	<u>(220,983)</u>	<u>(353,853)</u>
Present value of future minimum lease payments	<u>3,008,443</u>	<u>8,979,997</u>	<u>11,988,440</u>

	(Unit: Baht)		
	<u>As at 31 December 2018</u>		
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	2,171,975	715,602	2,887,577
Deferred interest expenses	<u>(77,312)</u>	<u>(5,973)</u>	<u>(83,285)</u>
Present value of future minimum lease payments	<u>2,094,663</u>	<u>709,629</u>	<u>2,804,292</u>

## 17. Long-term loans

(Unit: Baht)

No.	Credit facilities (Million Baht)	Interest rate (percent per annum)	Repayment schedule	As at 31 December	
				2019	2018
1	418.0	3M THBFIX reference rate + 1.95	The loan is repayable within 6 years and is repayable the first installment in the last day of the eighteenth month since the subsidiary withdrew the loan (8 June 2018). The principal is payable in 10 semi-annually installments of Baht 42 million during the first to ninth installment, remaining balance is repayable in the tenth installment and interest is repayable every 3 months.	364,413,762	327,968,432
2	300.0	3M THBFIX reference rate + 1.95	The loan is repayable within 5 years and is repayable the first installment in the last day of the sixth month since the Company withdrew the loan (15 November 2018). The principal is repayable in 10 semi-annually installments of Baht 30 million each and interest is repayable every 3 months.	239,701,915	300,000,000
Total				604,115,677	627,968,432
Less: Current portion				(143,834,250)	(102,000,000)
Long-term loans, net of current portion				<u>460,281,427</u>	<u>525,968,432</u>

Movements in the long-term loans account during the year ended 31 December 2019 are summarised below.

	(Unit: Baht)
Balance as at 1 January 2019	627,968,432
Add: Additional loan withdrew during the year	77,981,495
Amortisation of transaction costs during the year	165,750
Less: Repayment during the year	<u>(102,000,000)</u>
Balance as at 31 December 2019	<u>604,115,677</u>

The loan is secured by the mortgage of a part of the Company's land and construction thereon and machinery as discussed in Note 12.

Such loan agreements contain 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 2019 and 2018, the Company could maintain certain financial ratios as specified in the long-term loan agreement.

As at 31 December 2019, the long-term credit facilities of the Company which has not yet been drawn down amounted to Baht 11.2 million (2018: Baht 90.0 million).

#### 18. 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>2019</u>	<u>2018</u>
<b>Provision for long-term employee benefits at beginning of year</b>	5,525,286	6,357,539
Included in profit or loss:		
Current service cost	629,848	2,204,174
Interest cost	103,707	73,433
Past service cost	611,810	-
Benefits paid during the year	<u>(1,311,345)</u>	<u>(3,109,860)</u>
<b>Provision for long-term employee benefits at end of year</b>	<u><u>5,559,306</u></u>	<u><u>5,525,286</u></u>
<b>Provision for long-term employee benefits</b>		
Current	57,096	2,291,033
Non-current	<u>5,502,210</u>	<u>3,234,253</u>
	<u><u>5,559,306</u></u>	<u><u>5,525,286</u></u>

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law was effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Company has additional long-term employee benefit liabilities of Baht 0.6 million. The Company reflected the effect of the change by recognising past service costs as expenses in profit or loss for the current year.

In 2019, the Company expects to pay Baht 0.1 million of long-term employee benefits during the next year (2018: Baht 2.3 million).

As at 31 December 2019, the weighted average duration of the liabilities for long-term employee benefit is 10 years and 14 years (2018: 9 years and 13 years).

Significant actuarial assumptions are summarised below:

	(Unit: percent per annum)	
	<u>2019</u>	<u>2018</u>
Discount rate	2.4, 2.9	2.4, 2.9
Salary increase rate	5.0, 6.0	5.0, 6.0
Turnover rate	2.9 - 34.4	2.9 - 34.4

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2019 and 2018 are summarised below:

	(Unit: Baht)	
	As at 31 December 2019	
	<u>Increase 0.5%</u>	<u>Decrease 0.5%</u>
Discount rate	(216,757)	234,640
	<u>Increase 1.0%</u>	<u>Decrease 1.0%</u>
Salary increase rate	562,139	(485,636)
	<u>Increase 20.0%</u>	<u>Decrease 20.0%</u>
Turnover rate	(1,073,801)	1,605,313

	(Unit: Baht)	
	<u>As at 31 December 2018</u>	
	<u>Increase 0.5%</u>	<u>Decrease 0.5%</u>
Discount rate	(21,197)	23,083
	<u>Increase 1.0%</u>	<u>Decrease 1.0%</u>
Salary increase rate	53,121	(46,059)
	<u>Increase 20.0%</u>	<u>Decrease 20.0%</u>
Turnover rate	(101,209)	149,554

#### 19. 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.

#### 20. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Baht)	
	<u>2019</u>	<u>2018</u>
Raw materials and consumables used	1,627,638,285	1,937,407,699
Changes in inventories of finished goods and work in process	(54,370,854)	(597,608)
Depreciation and amortisation	167,169,052	159,409,025
Salaries, wages and other employee benefits	111,866,536	98,610,299
Electricity and fuel expenses	80,198,625	39,277,052
Repair and maintenance expenses	23,793,226	29,331,733
Distribution expenses	21,112,183	16,734,952



## 21. Damage 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 damage from flood of Baht 73.3 million and Baht 2.3 million in profit or loss for the year 2017 and 2018, respectively.

However, the Company has insurance covering the damages in which sum insured Baht 50 million per each incident. The Company claimed compensation for its losses according to the policy made with the insurer. The insurer agreed to pay the compensation to the Company in the amount of Baht 40 million. Therefore, as at 31 December 2019, the Company has recognised this compensation as other income in the profit or loss for the current year. In October 2019, the Company has already received the full amount of the compensation from the insurance company.

## 22. Income tax

Income tax for the years ended 31 December 2019 and 2018 are made up as follows:

	(Unit: Baht)	
	<u>2019</u>	<u>2018</u>
<b>Current income tax:</b>		
Current income tax charge	16,058,549	27,055,010
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	<u>55,642</u>	<u>430,669</u>
<b>Income tax reported in the profit or loss</b>	<u><u>16,114,191</u></u>	<u><u>27,485,679</u></u>

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

	(Unit: Baht)	
	<u>2019</u>	<u>2018</u>
Accounting profit before tax	529,739,058	321,762,939
Applicable tax rate	20%	20%
Accounting profit before tax multiplied by income tax rate	105,947,812	64,352,588
Effects of:		
Promotional privileges (Note 23)	(75,150,614)	(39,669,854)
Non-deductible expenses	744,435	3,494,489
Additional expense deductions allowed	(16,316,628)	(1,347,031)
Others	889,186	655,487
Total	(89,833,621)	(36,866,909)
Income tax reported in the profit or loss	16,114,191	27,485,679

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

	(Unit: Baht)	
	Statements of financial position as at 31 December	
	<u>2019</u>	<u>2018</u>
<b>Deferred tax assets</b>		
Government grants	5,256,122	5,249,516
Financial leases	1,207,023	296,641
Provision for short-term employee benefits	174,619	261,519
Provision for long-term employee benefits	915,923	646,850
Total	7,553,687	6,454,526
<b>Deferred tax liabilities</b>		
Accumulated depreciation - Machineries	3,421,318	3,421,318
Accumulated depreciation - Finance lease agreements	1,154,803	-
Total	4,576,121	3,421,318
<b>Deferred tax assets, net</b>	2,977,566	3,033,208

### 23. 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	62-0394-1-04-1-0
Date	26 December 2003	19 November 2008	22 April 2019
1. Promotional privileges for	Manufacture of alcohol	Manufacture of ethanol (99.5%)	Manufacture of alcohol
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)	3 years or not exceed 50 percent of the investment (will expire on 17 March 2022)
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	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	18 March 2019

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 2019 and 2018 were domestic sales, divided between promoted and non-promoted operations, are summarised below:

	(Unit: Baht)	
	<u>2019</u>	<u>2018</u>
Revenues from sales		
Promoted operations	2,242,168,703	1,538,770,800
Non-promoted operations	291,832,877	1,157,305,042
Total	<u>2,534,001,580</u>	<u>2,696,075,842</u>

#### 24. 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>2019</u>	<u>2018</u>
Profit for the year (Baht)	513,624,867	294,277,260
Weighted average number of ordinary shares (shares)	1,000,000,000	1,000,000,000
Earnings per share (Baht)	0.51	0.29

#### 25. 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 Company is organised into business units based on its products. The Company recognised revenue at the point in time. During the current year, the Company has changed the organisation of its reportable segments from the fiscal year 2018, by adding a reportable segment, which is soil conditioner. However, at present the operation of such segment is insignificant.

For the year 2019, the Company has revenue from 3 major customers in amount of Baht 1,139 million, Baht 734 million and Baht 312 million (2018: revenue from 3 major customers in amount of 1,209 million, Baht 770 million and Baht 266 million).

## 26. 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 2019 amounting to approximately Baht 3.1 million (2018: Baht 3.4 million) were recognised as expenses.

## 27. Dividend paid

<u>Dividends</u>	<u>Approved by</u>	<u>Total Dividends (Baht)</u>	<u>Dividend per share (Baht)</u>	<u>Paid on</u>
<b><u>2019</u></b>				
Final dividends in respect of operation income from BOI promoted operation for the period from 1 July 2018 to 31 December 2018	Annual General Meeting of the shareholders on 25 April 2019	150,000,000	0.15	24 May 2019
Interim dividends in respect of operation income from BOI promoted operation for the period from 1 January 2019 to 30 June 2019	Board of Directors' meeting on 15 August 2019	199,999,980	0.20	13 September 2019
Total		<u>349,999,980</u>	<u>0.35</u>	
<b><u>2018</u></b>				
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	50,000,000	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	99,984,900	0.10	14 September 2018
Total		<u>149,984,900</u>	<u>0.15</u>	

## 28. Commitment and contingent liabilities

### 28.1 Capital commitments

As at 31 December 2019, the Company had capital commitments of approximately Baht 16.4 million, relating to the construction of Vinasse Evaporation Reservoirs (2018: Baht 88.4 million).

### 28.2 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>2019</u>	<u>2018</u>
Payable:		
In up to 1 year	7.3	4.7
In over 1 year and up to 5 years	1.6	4.0

### 28.3 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 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.

### 28.4 Guarantees

As at 31 December 2019, there were outstanding bank guarantees of approximately Baht 5.0 million to guarantee contracted performance for using of electric to the Provincial Electricity Authority (2018: Baht 5.0 million).

## 29. Litigation

On September 2011, a company sued the Company for its alleged non-compliance with the cassava chip purchase agreement, claiming a compensation for damage of Baht 186.9 million. The Company submitted the testimony and countersued that company, claiming a compensation for damage of Baht 82.4 million. Both parties defended in three courts. The case has been finished on 17 April 2019 by the Supreme Court affirmed the judgment of the Civil Court and the Appeal Court to order that company 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. Now the execution of judgment is in process.

In addition, on 18 May 2018, the Company sued that company for bankruptcy case. The Bankruptcy court passed the judgment on 29 May 2019 that the case was thrown out as that company has the right to claim with a debtor which is a government agency then that company has not become insolvent yet. The Company has already made attachment of the claim.

The Company recorded allowance for impairment in advance paid to that company for a whole amount. Subsequently, on 13 August 2019, the Company received partial payment of Baht 0.2 million from that company. The Company recorded such amount as reversal of the allowance for impairment in advance payment for purchase of goods, which was presented as revenue in profit or loss for the current period.

## 30. Fair value hierarchy

As at 31 December 2019 and 2018, the Company had the assets that were measured at fair value using different levels of inputs as follows:

	(Unit: Baht)			
	As at 31 December 2019		As at 31 December 2018	
	Level 2	Total	Level 2	Total
<b>Assets measured at fair value</b>				
Current investments - open fund	1,055,719	1,055,719	1,036,827	1,036,827

## **31. Financial instruments**

### **31.1 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 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 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 2019

	Fixed interest rates				Total	Effective interest rate (% per annum)
	Within 1 year	Over 1-5 years	Floating interest rate	Non- interest bearing		
<b>Financial assets</b>						
Cash and cash equivalents	-	-	25.3	0.1	25.4	0.10 - 0.35
Current investments - open fund	-	-	-	1.1	1.1	-
Trade and other receivables	0.5	-	-	199.8	200.3	6.87
	<u>0.5</u>	<u>-</u>	<u>25.3</u>	<u>201.0</u>	<u>226.8</u>	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	1,391.3	-	-	-	1,391.3	2.53 - 2.95
Trade and other payables	-	-	-	161.0	161.0	-
Liabilities under finance lease agreements	3.0	9.0	-	-	12.0	0.27 - 2.46
Long-term loans from financial institution	-	-	604.1	-	604.1	3M THBFIX + 1.95
	<u>1,394.3</u>	<u>9.0</u>	<u>604.1</u>	<u>161.0</u>	<u>2,168.4</u>	

(Unit: Million Baht)

As at 31 December 2018

	Fixed interest rates				Total	Effective interest rate (% per annum)
	Within 1 year	Over 1-5 years	Floating interest rate	Non- interest bearing		
<b>Financial assets</b>						
Cash and cash equivalents	-	-	31.3	0.9	32.2	0.10 - 0.38
Current investments - open fund	-	-	-	1.0	1.0	-
Trade and other receivables	-	-	-	275.9	275.9	-
	<u>-</u>	<u>-</u>	<u>31.3</u>	<u>277.8</u>	<u>309.1</u>	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	1,174.7	-	-	-	1,174.7	2.75 - 2.95
Trade and other payables	-	-	-	145.5	145.5	-
Liabilities under finance lease agreements	2.1	0.7	-	-	2.8	0.27 - 15.32
Long-term loans from financial institution	-	-	628.0	-	628.0	3M THBFIX +1.95
	<u>1,176.9</u>	<u>0.7</u>	<u>628.0</u>	<u>145.5</u>	<u>1,951.0</u>	

**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.

### **31.2 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.

### **32. Capital management**

The primary objective of the Company's capital management is to ensure that it has an appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2019, the Company's debt-to-equity ratio was 1.1:1 (2018: 1.1:1).

### **33. Approval of financial statements**

These financial statements were authorised for issue by the board of directors of the Company on 17 February 2020.