

Thai Agro Energy Public Company Limited
Report and financial statements
31 December 2014

Independent Auditor's Report

To the Shareholders of Thai Agro Energy Public Company Limited

I have audited the accompanying financial statements of Thai Agro Energy Public Company Limited, which comprise the statement of financial position as at 31 December 2014, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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 2014, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Saifon Inkaew

Certified Public Accountant (Thailand) No. 4434

EY Office Limited

Bangkok: 16 February 2015

Thai Agro Energy Public Company Limited

Statement of financial position

As at 31 December 2014

		(Unit: Baht)	
	<u>Note</u>	<u>2014</u>	<u>2013</u>
Assets			
Current assets			
Cash and cash equivalents	7	22,261,356	11,989,722
Current investments - open fund		434,894	-
Trade and other receivables	8	194,996,134	176,814,879
Inventories	9	113,466,673	84,149,758
Advance payments for purchase of goods	10	629,235,285	366,882,970
Other current assets		<u>36,227,423</u>	<u>17,145,986</u>
Total current assets		<u>996,621,765</u>	<u>656,983,315</u>
Non-current assets			
Property, plant and equipment	11	2,372,891,730	2,206,746,622
Intangible assets	12	2,037,142	1,959,841
Deferred tax assets	21	12,955,408	21,906,256
Other non-current assets		<u>498,740</u>	<u>457,400</u>
Total non-current assets		<u>2,388,383,020</u>	<u>2,231,070,119</u>
Total assets		<u><u>3,385,004,785</u></u>	<u><u>2,888,053,434</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 2014

(Unit: Baht)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans from financial institutions	13	963,146,161	744,682,908
Trade and other payables	14	133,986,809	187,265,407
Current portion of liabilities under financial lease agreements	15	915,810	-
Current portion of long-term loan	16	180,000,000	180,000,000
Provision for short-term employee benefits	17	2,540,748	3,111,397
Other current liabilities		<u>12,171,108</u>	<u>12,334,124</u>
Total current liabilities		<u>1,292,760,636</u>	<u>1,127,393,836</u>
Non-current liabilities			
Liabilities under financial lease agreements - net of current portion	15	4,326,054	-
Long-term loan - net of current portion	16	477,757,191	657,757,191
Provision for long-term employee benefits	17	<u>989,730</u>	<u>1,833,836</u>
Total non-current liabilities		<u>483,072,975</u>	<u>659,591,027</u>
Total liabilities		<u>1,775,833,611</u>	<u>1,786,984,863</u>
Shareholders' equity			
Share capital	18		
Registered			
1,000,000,000 ordinary shares of Baht 1 each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid up			
1,000,000,000 ordinary shares of Baht 1 each			
(2013: 800,000,000 ordinary shares of Baht 1 each)		1,000,000,000	800,000,000
Share premium		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
Unappropriated		<u>319,818,738</u>	<u>200,512,120</u>
Total shareholders' equity		<u>1,609,171,174</u>	<u>1,101,068,571</u>
Total liabilities and shareholders' equity		<u>3,385,004,785</u>	<u>2,888,053,434</u>

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

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Directors
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Thai Agro Energy Public Company Limited
Statement of comprehensive income
For the year ended 31 December 2014

(Unit: Baht)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Profit or loss:			
Revenues			
Sales		2,496,279,049	1,659,052,294
Other income		<u>4,146,564</u>	<u>697,977</u>
Total revenues		<u>2,500,425,613</u>	<u>1,659,750,271</u>
Expenses			
Cost of sales	20	2,165,523,691	1,390,599,079
Selling expenses		7,376,690	10,278,505
Administrative expenses		<u>42,008,812</u>	<u>79,596,845</u>
Total expenses		<u>2,214,909,193</u>	<u>1,480,474,429</u>
Profit before finance cost and income tax		285,516,420	179,275,842
Finance cost		<u>(57,258,954)</u>	<u>(65,633,836)</u>
Profit before income tax		228,257,466	113,642,006
Income tax revenue (expenses)	21	<u>(8,950,848)</u>	<u>4,036,451</u>
Profit for the year		<u>219,306,618</u>	<u>117,678,457</u>
Other comprehensive income:			
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>219,306,618</u>	<u>117,678,457</u>
Earnings per share			
Basic earnings per share	23		
Profit for the year		<u>0.24</u>	<u>0.15</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 2014

(Unit: Baht)

	Note	Issued and fully paid up share capital	Share premium	Capital reserve for share-based payment transactions	Retained earnings		Total
					Appropriated - statutory reserve	Unappropriated	
Balance as at 1 January 2013		800,000,000	-	556,451	65,100,000	221,733,663	1,087,390,114
Profit for the year		-	-	-	-	117,678,457	117,678,457
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	117,678,457	117,678,457
Dividend paid	26	-	-	-	-	(104,000,000)	(104,000,000)
Unappropriated retained earnings transferred to statutory reserve	19	-	-	-	34,900,000	(34,900,000)	-
Balance as at 31 December 2013		<u>800,000,000</u>	<u>-</u>	<u>556,451</u>	<u>100,000,000</u>	<u>200,512,120</u>	<u>1,101,068,571</u>
Balance as at 1 January 2014		800,000,000	-	556,451	100,000,000	200,512,120	1,101,068,571
Profit for the year		-	-	-	-	219,306,618	219,306,618
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	219,306,618	219,306,618
Share capital issued	18	200,000,000	188,795,985	-	-	-	388,795,985
Dividend paid	26	-	-	-	-	(100,000,000)	(100,000,000)
Balance as at 31 December 2014		<u>1,000,000,000</u>	<u>188,795,985</u>	<u>556,451</u>	<u>100,000,000</u>	<u>319,818,738</u>	<u>1,609,171,174</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 2014**

(Unit: Baht)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Profit before tax	228,257,466	113,642,006
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	105,821,621	99,331,202
Gain on sales of property and equipment	(677,238)	-
Gain on sales of current investments	(434,705)	-
Unrealised gain on current investment	(189)	-
Reversal of reduction of inventories to net realisable value	-	(9,702,516)
Provision for long-term employee benefits	867,405	981,596
Interest income	(263,488)	(189,673)
Interest expenses	<u>57,086,321</u>	<u>58,643,188</u>
Profit from operating activities before changes in operating assets and liabilities	390,657,193	262,705,803
Operating assets (increase) decrease		
Trade and other receivables	(13,307,561)	(80,047,953)
Inventories	(29,316,915)	2,845,387
Advance payment for purchase of goods	(262,352,315)	(320,246,138)
Other current assets	(19,084,453)	(11,965,513)
Other non-current assets	(41,340)	-
Operating liabilities increase (decrease)		
Trade and other payables	62,229,548	(24,185,210)
Other current liabilities	2,631,395	653,818
Provision for long-term employee benefits	<u>(2,282,160)</u>	<u>(1,059,020)</u>
Cash from (used in) operating activities	129,133,392	(171,298,826)
Cash received from interest income	264,608	188,910
Cash paid for interest expenses	<u>(59,791,011)</u>	<u>(50,340,898)</u>
Net cash from (used in) operating activities	<u>69,606,989</u>	<u>(221,450,814)</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 2014**

	(Unit: Baht)	
	<u>2014</u>	<u>2013</u>
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(316,391,894)	(104,499,545)
Acquisitions of current investments	(601,000,000)	-
Acquisitions of intangible assets	(909,589)	(257,800)
Proceeds from sales of property and equipment	2,134,353	-
Proceeds from sales of current investments	601,000,000	-
Cash receipt from government grants	<u>8,615,394</u>	<u>12,338,181</u>
Net cash used in investing activities	<u>(306,551,736)</u>	<u>(92,419,164)</u>
Cash flows from financing activities		
Increase in short-term loans from financial institution	218,463,253	524,213,538
Cash received from additional ordinary shares	388,795,985	-
Repayment of long-term loan	(180,000,000)	(180,000,000)
Cash paid for liabilities under financial lease agreements	(42,857)	-
Cash paid for dividend	<u>(180,000,000)</u>	<u>(24,000,000)</u>
Net cash from financing activities	<u>247,216,381</u>	<u>320,213,538</u>
Net increase in cash and cash equivalents	10,271,634	6,343,560
Cash and cash equivalents at beginning of year	<u>11,989,722</u>	<u>5,646,162</u>
Cash and cash equivalents at end of year (Note 7)	<u><u>22,261,356</u></u>	<u><u>11,989,722</u></u>
Supplemental cash flows information		
Non-cash related transaction from investing activities		
Accrued receipt from government grants	(4,871,798)	-
Decrease in accounts payables from purchases of equipment and intangible assets	(35,508,146)	(44,725,758)
Acquisitions of equipment under financial lease agreements	5,195,000	-
Non-cash related transaction from financing activities		
Increase (decrease) in dividend payable	(80,000,000)	80,000,000

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 2014

1. General information

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

2. Basis of preparation

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

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

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

3. New financial reporting standards

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

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

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits

TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Ventures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets

Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments

Accounting Standard Interpretations:

TSIC 15	Operating Leases – Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets – Web Site Costs

Financial Reporting Standard Interpretations:

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners
TFRIC 18	Transfers of Assets from Customers

Accounting Treatment Guidance for Stock Dividend

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These financial reporting standards do not have any significant impact on the financial statements.

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

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of accounting standards. The management of the Company believes they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of these financial reporting standards involve changes to key principles, as discussed below:

TAS 19 (revised 2014) Employee Benefits

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

At present, the Company immediately recognise actuarial gains and losses in profit or loss in the period in which they occur. The assessment of the management of the Company is that when the revised standard is applied in 2015 and the method of recognising those gains and losses is changed to immediately recognise them in other comprehensive income, there will be no impact to provision for long-term employee benefit liabilities and retained earnings in the financial statements.

TFRS 13 Fair Value Measurement

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

Based on the preliminary analysis, the management of the Company believes that this standard will not have any significant impact on the Company financial statements.

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

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

Interest income

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

4.2 Cash and cash equivalents

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

4.3 Investments in trading securities

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

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

4.4 Trade receivables

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

4.5 Inventories

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

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

4.6 Property, plant and equipment and depreciation

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

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

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

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

Depreciation is included in determining income.

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

4.7 Borrowing costs

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

4.8 Government grants related to assets

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

4.9 Intangible assets

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

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

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

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

4.10 Related party transactions

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

4.11 Long-term leases

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

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

4.12 Foreign currencies

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

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

Gains and losses on exchange are included in determining income.

4.13 Impairment of assets

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

An impairment loss is recognised in profit or loss.

4.14 Employee benefits

Short-term employee benefits

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

Post-employment benefits

Defined contribution plans

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

Defined benefit plans

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

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

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

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.

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 doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

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.

Litigation

The Company has contingent liabilities as a result of litigation. The Company's management has used judgement to assess of the results of the litigation and believes that no loss will result. Therefore, no contingent liabilities are recorded as at the end of reporting period.

6. Related party transactions

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

	<u>2014</u>	<u>2013</u>	<u>Transfer Pricing Policy</u>
(Unit: Baht)			
<u>Transactions with parent company</u>			
Dividend paid	51,000,000	78,784,905	Declared rate

As at 31 December 2014 and 2013, the balances of the accounts between the Company and related companies are as follows:

	<u>2014</u>	<u>2013</u>
(Unit: Baht)		
Other payable - related party (Note 14)		
Lanna Resources Public Co., Ltd.	-	60,603,773
Total other payable - related party	-	60,603,773

Directors and management's benefits

During the years ended 31 December 2014 and 2013, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Baht)	
	<u>2014</u>	<u>2013</u>
Short-term employee benefits	21,737,441	17,937,168
Post-employment benefits	423,717	488,568
Total	<u>22,161,158</u>	<u>18,425,736</u>

7. Cash and cash equivalents

	(Unit: Baht)	
	<u>2014</u>	<u>2013</u>
Cash	42,094	37,130
Bank deposits	22,219,262	11,952,592
Total	<u>22,261,356</u>	<u>11,989,722</u>

As at 31 December 2014, bank deposits in savings account carried interests between 0.37 and 0.50 percent per annum (2013: between 0.25 and 0.50 percent per annum).

8. Trade and other receivables

The outstanding balances of trade and other receivables as at 31 December 2014 amounting to Baht 184 million (2013: Baht 177 million) are undue trade accounts receivable. The remaining balances are other receivables.

9. Inventories

	(Unit: Baht)					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Finished goods - Ethanol	10,044,359	20,807,409	-	-	10,044,359	20,807,409
Work in process	12,761,491	10,182,901	-	-	12,761,491	10,182,901
Raw materials - Molasses	81,944,123	43,396,989	-	-	81,944,123	43,396,989
Supplies	8,716,700	9,762,459	-	-	8,716,700	9,762,459
Total	<u>113,466,673</u>	<u>84,149,758</u>	<u>-</u>	<u>-</u>	<u>113,466,673</u>	<u>84,149,758</u>

10. Advance payments for purchase of goods

During the years, the Company had significant business transactions with local companies in respect of purchases of molasses and cassava chips under the purchase of molasses agreement and cassava chips agreement. To comply with the conditions in the agreements, as at 31 December 2014, the Company had paid advance payments for purchase of molasses and cassava chips amounting to Baht 629.2 million (2013: Baht 366.9 million).

11. Property, plant and equipment

	(Unit: Baht)							
	Land	Land improvement	Building and amenities	Machineries and equipment	Office equipment	Motor vehicles	Assets under construction and installation	Total
Cost								
1 January 2013	150,084,251	56,785,878	255,778,842	1,653,665,930	15,376,156	25,591,241	354,465,491	2,511,747,789
Additions	6,655,614	-	184,081	6,940,001	1,411,925	67,700	133,911,982	149,171,303
Transfers in (out)	-	-	-	12,702,638	-	-	(12,702,638)	-
Receipts of government grants	-	-	-	(6,338,181)	-	-	(6,000,000)	(12,338,181)
31 December 2013	156,739,865	56,785,878	255,962,923	1,666,970,388	16,788,081	25,658,941	469,674,835	2,648,580,911
Additions	3,701,199	-	219,800	4,498,845	1,054,880	5,344,695	271,313,329	286,132,748
Disposal	(1,445,800)	-	-	-	-	(665,477)	-	(2,111,277)
Transfers in (out)	-	-	16,606	150,329,506	1,126,500	-	(151,472,612)	-
Receipts of government grants	-	-	-	(13,487,192)	-	-	-	(13,487,192)
31 December 2014	158,995,264	56,785,878	256,199,329	1,808,311,547	18,969,461	30,338,159	589,515,552	2,919,115,190
Accumulated depreciation								
1 January 2013	-	-	34,269,626	277,936,161	11,153,528	19,926,727	-	343,286,042
Depreciation for the year	-	-	10,036,108	84,086,323	1,709,393	2,716,423	-	98,548,247
31 December 2013	-	-	44,305,734	362,022,484	12,862,921	22,643,150	-	441,834,289
Depreciation for the year	-	-	9,957,302	91,583,859	1,834,625	1,667,547	-	105,043,333
Depreciation on disposal	-	-	-	-	-	(654,162)	-	(654,162)
31 December 2014	-	-	54,263,036	453,606,343	14,697,546	23,656,535	-	546,223,460
Net book value								
31 December 2013	156,739,865	56,785,878	211,657,189	1,304,947,904	3,925,160	3,015,791	469,674,835	2,206,746,622
31 December 2014	158,995,264	56,785,878	201,936,293	1,354,705,204	4,271,915	6,681,624	589,515,552	2,372,891,730
Depreciation for the year								
2013 (Baht 68 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)								98,548,247
2014 (Baht 101 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)								105,043,333

As at 31 December 2014, the Company have motor vehicles under financial lease agreement with net book values amounting to Baht 5.0 million (2013: nil).

The Company has mortgaged part of its land and construction thereon and machinery with net book value as at 31 December 2014 amounting to approximately Baht 1,183.0 million (2013: Baht 1,198.7 million) as collateral for short-term and long-term loans and credit facilities granted by a commercial bank as discussed in Note 13 and 16.

During 2013, the Company received the subsidy of Baht 12.3 million from the subsidy agreement with the Energy Conservation Promotion Fund under “Biogas Technology for Industry Project”.

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

As at 31 December 2014, 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 49.3 million (2013: Baht 40.3 million).

12. Intangible assets

The net book value of intangible assets which are computer software as at 31 December 2014 and 2013 is presented below.

	(Unit: Baht)
As at 31 December 2014	
Cost	6,250,904
Less: Accumulated amortisation	<u>(4,213,762)</u>
Net book value	<u>2,037,142</u>
As at 31 December 2013	
Cost	5,395,315
Less: Accumulated amortisation	<u>(3,435,474)</u>
Net book value	<u>1,959,841</u>

A reconciliation of the net book value of intangible assets for the years 2014 and 2013 is presented below.

	(Unit: Baht)	
	<u>2014</u>	<u>2013</u>
Net book value at beginning of year	1,959,841	2,430,996
Additions	855,589	311,800
Amortisation for the year	<u>(778,288)</u>	<u>(782,955)</u>
Net book value at end of year	<u>2,037,142</u>	<u>1,959,841</u>

13. Short-term loans from financial institutions

(Unit: Baht)

	Interest rate (percent per annum)			
	<u>2014</u>	<u>2013</u>		
Promissory notes	3.60 - 3.90	3.70 - 4.10	831,210,004	604,684,250
Trust receipts	3.52	3.70	131,936,157	139,998,658
Total			<u>963,146,161</u>	<u>744,682,908</u>

Short-term loans from financial institutions is secured by the mortgage of part of the Company's land and construction thereon and machinery as discussed in Note 11.

14. Trade and other payables

(Unit: Baht)

	<u>2014</u>	<u>2013</u>
Trade payables	119,441,573	52,805,751
Other payable - related party	-	60,603,773
Other payables - non related parties	14,545,236	66,620,271
Retention payable	-	7,235,612
Total trade and other payables	<u>133,986,809</u>	<u>187,265,407</u>

15. Liabilities under finance lease agreements

Details of liabilities under finance lease agreements of the Company as at 31 December 2014 are as follows:

	(Unit: Baht)
Liabilities under finance lease agreements	6,678,883
Less: Deferred interest expenses	<u>(1,437,019)</u>
Total	5,241,864
Less: Current portion	<u>(915,810)</u>
Liabilities under finance lease agreements - net of current portion	<u>4,326,054</u>

The Company has entered into the finance lease agreements with leasing company for rental of 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.

As at 31 December 2014, future minimum lease payments required under the finance lease agreement were as follows:

	(Unit: Baht)		
	Less than 1 year	1-5 years	Total
Future minimum lease payments	1,456,377	5,222,506	6,678,883
Deferred interest expenses	(540,567)	(896,452)	(1,437,019)
Present value of future minimum lease payments	<u>915,810</u>	<u>4,326,054</u>	<u>5,241,864</u>

16. Long-term loan

	(Unit: Baht)	
	<u>2014</u>	<u>2013</u>
Long-term loan	657,757,191	837,757,191
Less: Current portion	<u>(180,000,000)</u>	<u>(180,000,000)</u>
Long-term loan - net of current portion	<u>477,757,191</u>	<u>657,757,191</u>

On 6 November 2013, the Company entered into long-term loan agreement with a local bank, obtaining loan facilities of Baht 845 million, for the debt refinance with an another local bank. On 18 December 2013, the Company withdrew the loan for the debt refinance and repaid all of short-term and long-term loans to that local bank totaling Baht 837.8 million. The loan initially carries interest rate at THBFIX reference rate plus 1.75 percent per annum for the first year, and the interest rate increases by 0.05 percent per annum from the second to fifth year. The loan is repayable within 5 years in 10 semi-annually installments of Baht 90 million during the first to ninth year, and remaining balance is repayable in the tenth year. The repayment period is from June 2014 to December 2018. The loan is secured by the mortgage of a part of the Company's land and construction thereon and machinery as discussed in Note 11.

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

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

As at 31 December 2014 the Company could maintain certain financial ratios as specified in the memorandum attached to the long-term loan agreement (2013: the Company could not maintain certain financial ratios as specified in the loan agreement, however, the Company had negotiated with the bank, and had obtained a waiver letter for the condition to maintain certain financial ratios for the year ended 31 December 2013 from that bank on 27 December 2013. The Company could maintain all conditions in a waiver letter and the loan agreement).

17. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensations payable to employees after they retire from the Company as at 31 December 2014 and 2013, was as follows:

	(Unit: Baht)	
	<u>2014</u>	<u>2013</u>
Defined benefit obligation at beginning of the year	4,945,233	5,022,657
Current service cost	701,230	1,327,203
Interest cost	166,175	223,696
Benefits paid during the year	(2,282,160)	(1,059,020)
Actuarial gain	-	(569,303)
Defined benefit obligation at end of the year	<u>3,530,478</u>	<u>4,945,233</u>
 Provision for employee benefits		
Current	2,540,748	3,111,397
Non-current	989,730	1,833,836
	<u>3,530,478</u>	<u>4,945,233</u>

Long-term employee benefit expenses recognised in profit or loss consist of the following:

	(Unit: Baht)	
	<u>2014</u>	<u>2013</u>
Current service cost	701,230	1,327,203
Interest cost	166,175	223,696
Actuarial gain recognised during the year	-	(569,303)
Total expenses recognised in profit or loss	<u>867,405</u>	<u>981,596</u>
Line items in profit or loss under which such expenses are included		
Cost of sales	634,220	334,734
Selling and administrative expenses	233,185	646,862

Key actuarial assumptions used for the valuation are as follows:

	<u>2014</u>	<u>2013</u>
	(% per annum)	(% per annum)
Discount rate	4.9	4.9
Future salary increase rate	4.7, 6.6	4.7, 6.6
Employee turnover rate (depending on age of employees)	10.0 - 29.0	10.0 - 29.0

The amounts of defined benefit obligations and experience adjustments for the current year and the past four years are as follows:

	(Unit: Baht)	
	<u>Defined benefit obligation</u>	<u>Experience adjustments on the obligation</u>
Year 2014	3,530,478	-
Year 2013	4,945,233	138,431
Year 2012	5,022,657	-
Year 2011	3,543,085	-
Year 2010	2,070,903	-

18. Share capital

- 18.1 On 19 September 2013, the Extraordinary General Meeting of the Company's shareholders passed a resolution to approve the increase in its registered capital from Baht 800 million (800 million shares of Baht 1 each) to Baht 1,000 million (1,000 million shares of Baht 1 each) to support the initial public offering to public and the Company's shareholders. The Company registered the increase of its capital with Ministry of Commerce on 2 October 2013.
- 18.2 During 21 - 23 May 2014, the Company offered 105 million ordinary shares, with a par value of Baht 1 each, at a price of Baht 2 each through the existing shareholders of Lanna Resources Public Co., Ltd., according to the proportion of their shareholdings in Lanna Resources Public Co., Ltd.
- 18.3 During 28 - 30 May 2014, the Company offered 95 million ordinary shares, with a par value of Baht 1 each, at a price of Baht 2 each through the Initial Public Offering. The Company registered the increase of its issued and paid-up share capital from Baht 800 million (800 million ordinary shares with a par value of Baht 1 each) to Baht 1,000 million (1,000 million ordinary shares with a par value of Baht 1 each) with the Ministry of Commerce on 2 June 2014, and the Stock Exchange of Thailand approved the 1,000 million ordinary shares with a par value of Baht 1 each as listed securities for trading, effective from 5 June 2014. The Company incurred expenses relating to the share offering totaling Baht 11.2 million, which were presented as a deduction from the share premium.

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.

During the year 2013, the Company set aside an additional statutory reserve by amount of Baht 34.9 million or a total sum of Baht 100 million. 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>2014</u>	<u>2013</u>
Raw materials and consumables used	1,900,821,959	1,223,191,606
Changes in inventories of finished goods and work in process	8,184,460	(2,309,235)
Depreciation and amortisation	105,821,621	99,331,202
Salaries, wages and other employee benefits	70,216,209	56,664,600
Electricity and fuel expenses	65,858,361	47,592,785
Repair and maintenance expenses	14,297,198	11,147,955

21. Income tax

Income tax expenses for the years ended 31 December 2014 and 2013 are made up as follows:

	(Unit: Baht)	
	<u>2014</u>	<u>2013</u>
Current income tax:		
Current income tax charge	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	8,950,848	(10,897,999)
Deferred tax assets not recognised	-	6,861,548
Income tax reported in the statements of comprehensive income	<u>8,950,848</u>	<u>(4,036,451)</u>

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

	(Unit: Baht)	
	<u>2014</u>	<u>2013</u>
Accounting profit before tax	228,257,466	113,642,006
Applicable tax rate	20%	20%
Accounting profit before tax multiplied by income tax rate	45,651,493	22,728,401
Effects of:		
Promotional privileges (Note 22)	(27,533,986)	(33,939,426)
Non-deductible expenses	197,067	10,556
Recognition of tax loss carried forward of the previous year	(8,634,914)	-
Additional expense deductions allowed	(13,781)	(2,007)
Others	(715,031)	304,477
Total	(36,700,645)	(33,626,400)
Deferred tax assets not recognised	-	6,861,548
Income tax (revenue) expenses reported in the statement of comprehensive income	8,950,848	(4,036,451)

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

	(Unit: Baht)	
	Statements of financial position	
	<u>2014</u>	<u>2013</u>
Deferred tax assets		
Government grants	5,985,821	4,479,061
Financial leases	37,038	-
Provision for short-term employee benefits	217,982	232,187
Provision for long-term employee benefits	197,946	366,767
Tax loss carried forward	9,937,939	20,249,559
Total	16,376,726	25,327,574
Deferred tax liabilities		
Accumulated depreciation - Machineries	3,421,318	3,421,318
Total	3,421,318	3,421,318

As at 31 December 2013, the Company has unused tax losses totaling Baht 34 million. No deferred tax assets have been recognised on these amounts as the Company has received the promotional privileges and there are uncertain economic future which affect the utilisation of unused tax losses.

22. Promotional privileges

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

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

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

The Company's operating revenues for the years ended 31 December 2014 and 2013 were domestic sales, which were divided between promoted and non-promoted operations are summarised below:

	(Unit: Baht)	
	<u>2014</u>	<u>2013</u>
Revenues from sales		
Promoted operations	1,514,152,500	1,593,731,798
Non-promoted operations	982,126,549	65,320,496
Total	<u>2,496,279,049</u>	<u>1,659,052,294</u>

23. 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>2014</u>	<u>2013</u>
Profit for the year (Baht)	219,306,618	117,678,457
Weighted average number of ordinary shares (shares)	916,712,329	800,000,000
Earnings per share (Baht)	0.24	0.15

24. Segment information

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

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

For the year 2014, the Company has revenue from 3 major customers in amount of Baht 888 million, Baht 791 million and Baht 498 million (2013: revenue from 4 major customers in amount of Baht 623 million, Baht 375 million, Baht 296 million and Baht 274 million).

25. 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 5 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. During the year 2014, the Company contributed Baht 2.2 million (2013: Baht 2.0 million) to the fund.

26. Dividend paid

Dividends	Approved by	Total Dividends (Baht)	Dividend per share (Baht)	Paid on
<u>2014</u>				
Interim dividends in respect of operation income from BOI promoted operation for the period from 1 January 2014 to 30 June 2014	Board of Directors' meeting on 18 September 2014	100,000,000	0.10	17 October 2014
Total		100,000,000	0.10	
<u>2013</u>				
Final dividends in respect of operation income from BOI promoted operation of 2012	Annual General Meeting of the shareholders on 23 April 2013	24,000,000	0.03	20 May 2013
Interim dividends in respect of operation income from BOI promoted operation for the period from 1 January 2013 to 30 June 2013	Board of Directors' meeting on 19 December 2013	80,000,000	0.10	17 January 2014
Total		104,000,000	0.13	

27. Commitment and contingent liabilities

27.1 Capital commitments

As at 31 December 2014, the Company had capital commitments of approximately Baht 4.8 million, relating to the construction of Biogas systems and the improvement and acquisitions of machinery and equipment (2013: the construction of Biogas systems and the second ethanol production plant and the acquisitions of machinery and equipment of approximately Baht 176.3 million).

27.2 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>2014</u>	<u>2013</u>
Payable:		
in up to 1 year	3.3	3.1
in over 1 and up to 5 years	4.5	-

27.3 Long-term service and purchase commitments

- a) The Company entered into a power supply agreement with the Provincial Electricity Authority for a period of one year, commencing 21 December 2010 to 20 December 2011, and being automatically renewed for every one-year period. The Company shall pay power supply at the rate as stipulated in the agreement.
- b) The Company had commitments under the purchase of molasses agreement with 15-year duration under which the price is to be determined every 5 years commencing the first year in 2005. The price for the first three years is that stipulated in the agreement and for the fourth and fifth year, using the average actual market price of the first three years for comparison and the quantity to purchase of molasses are those stipulated in the agreement. In addition, the Company had additional two commitments under the purchase of molasses agreements with 5-years duration under which the price is to be determined before shipment in the next period and the quantity to purchase of molasses are those stipulated in the agreement.
- c) As at 31 December 2014, the Company had commitments under service agreement with regard for the financial consulting of Baht 0.8 million (2013: service agreement with regard for the legal consulting Baht 0.7 million).

27.4 Guarantees

As at 31 December 2014, there were outstanding bank guarantee of approximately Baht 5.1 million (2013: Baht 11.1 million) issued by the bank on behalf of the Company to guarantee the license for production and distribution of ethanol-for-fuel from the Excise Department, Biogas Technologic promotion project 2012 (Year 5) of the Energy Policy and Planning Office Ministry of Energy, and to guarantee contracted performance under the license for electricity use to Provincial Electricity Authority.

28. Litigation

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

29. Financial instruments

29.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, trade and other payables, liabilities under financial lease agreements, short-term and long-term borrowings. 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 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 financial lease agreements and interest-bearing short-term and long-term borrowings. 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 2014			
	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
<u>Financial assets</u>				
Cash and cash equivalents	18.3	4.0	22.3	0.37 - 0.50
Trade and other receivables	-	195.0	195.0	-
	<u>18.3</u>	<u>199.0</u>	<u>217.3</u>	
<u>Financial liabilities</u>				
Short-term loans from financial institutions	963.1	-	963.1	3.52 - 3.90
Trade and other payables	-	134.0	134.0	-
Liabilities under financial lease agreements	5.2	-	5.2	6.88 - 15.30
	<u>968.3</u>	<u>134.0</u>	<u>1,102.3</u>	

(Unit: Million Baht)

	As at 31 December 2013			
	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
<u>Financial assets</u>				
Cash and cash equivalents	9.9	2.1	12.0	0.25 - 0.50
Trade and other receivables	-	176.8	176.8	-
	<u>9.9</u>	<u>178.9</u>	<u>188.8</u>	
<u>Financial liabilities</u>				
Short-term loans from financial institutions	744.7	-	744.7	3.70 - 4.10
Trade and other payables	-	187.3	187.3	-
	<u>744.7</u>	<u>187.3</u>	<u>932.0</u>	

As at 31 December 2014, long-term loan from bank of Baht 657.8 million (2013: Baht 837.8 million) carries interest at THBFIX reference rate plus 1.75 percent per annum for the first year, and the interest rate increases by 0.05 percent per annum from the second to fifth year.

Foreign currency risk

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

29.2 Fair values of financial instruments

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

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

30. Capital management

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

The Company manages its capital position with reference to its debt-to-equity ratio. As at 31 December 2014, the Company's debt-to-equity ratio was 1.10:1 (2013: 1.63:1).

31. Approval of financial statements

These financial statements were authorised for issue by the authorised directors of the Company on 16 February 2015.