

Lanna Resources Public Company Limited
and its subsidiaries
Report and interim financial statements
For the three-month periods ended
31 March 2011 and 2010

Review report of Independent Auditor

To the Shareholders of Lanna Resources Public Company Limited

I have reviewed the accompanying consolidated statement of financial position of Lanna Resources Public Company Limited and its subsidiaries as at 31 March 2011, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three-month periods ended 31 March 2011 and 2010, and the separate financial statements of Lanna Resources Public Company Limited for the same periods. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to issue a report on these financial statements based on my reviews.

I did not review the financial statements as at and for the three-month period ended 31 March 2011 of an oversea subsidiary company (2010: one oversea subsidiary), as included in the consolidated financial statements. This subsidiary company has the total assets as at 31 March 2011 of approximately Baht 234 million, representing 4 percent of the consolidated total and total revenues for the three-month period then ended of approximately Baht 271 million, representing 10 percent of the consolidated total (2010: total revenues for the three-month period of approximately Baht 339 million, representing 14 percent of the consolidated total). The financial statements of the subsidiary company have been reviewed by other auditors and I have obtained their review reports. Therefore, my report related to any amounts and particulars of the oversea subsidiary company as included in the consolidated financial statements are based solely upon the review report of their auditors.

I conducted my reviews in accordance with the auditing standard applicable to review engagements. This standard requires that I plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. I have not performed an audit and, accordingly, I do not express an audit opinion.

Based on my reviews and from the review report of the auditors of the subsidiary company, nothing has come to my attention that causes me to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

I have previously audited the consolidated financial statements of Lanna Resources Public Company Limited and its subsidiaries and the separate financial statements of Lanna Resources Public Company Limited for the year ended 31 December 2010 in accordance with generally accepted auditing standards and based on my audit and the reports of the auditors of overseas subsidiary company, expressed an unqualified opinion on those financial statements under my report dated 24 February 2011. The consolidated and separate statements of financial position as at 31 December 2010, as presented herein for comparative purposes, formed an integral part of the financial statements which I audited and reported on. I have not performed any other audit procedures subsequent to the date of that above report. In addition, as described in Note 1.4 to the financial statements, during the current period, the Company adopted the revised and new accounting standards issued by the Federation of Accounting Professions, and applied them in its preparation and presentation of the interim financial statements.

Kamontip Lertwitworatep
Certified Public Accountant (Thailand) No. 4377

Ernst & Young Office Limited
Bangkok: 11 May 2011

Lanna Resources Public Company Limited and its subsidiaries

Statements of financial position

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
		31 March 2011 (Unaudited but reviewed)	31 December 2010 (Audited)	31 March 2011 (Unaudited but reviewed)	31 December 2010 (Audited)
Assets					
Current assets					
Cash and cash equivalents	4	778,846	829,223	75,152	26,343
Trade accounts receivable	5				
Related parties	3	110,811	89,054	124,587	107,481
Unrelated parties		761,012	769,350	68,001	94,804
Total trade accounts receivable		871,823	858,404	192,588	202,285
Amounts due from related party	3	-	-	4,755	6,991
Inventories - net	6	639,155	253,398	298,900	130,804
Cassava plantation costs - net	7	12,527	15,206	-	-
Other current assets					
Input tax refundable		451,549	376,555	6,198	-
Prepaid corporate income tax		225,530	159,439	30,444	30,403
Advance payments - net	19.2	71,919	129,252	17,424	17,336
Others		77,374	69,495	6,571	5,727
Total other current assets		826,372	734,741	60,637	53,466
Total current assets		3,128,723	2,690,972	632,032	419,889
Non-current assets					
Investments					
Investments in subsidiary companies	8	-	-	1,068,589	917,080
Investment in associated company	9	18,269	17,811	891	891
Total investments		18,269	17,811	1,069,480	917,971
Advance payment for purchase of investment in subsidiary company	3	-	-	-	151,509
Long-term loans to related party	3	-	-	150,319	204,000
Property, plant and equipment - net	10	2,509,176	2,434,237	223,516	226,831
Investment properties - net	11	36,945	37,553	36,945	37,553
Goodwill		186,000	186,000	-	-
Intangible assets - net	12	3,780	3,914	1,647	1,704
Other non-current assets	13	505,516	512,129	106,158	107,707
Total non-current assets		3,259,686	3,191,644	1,588,065	1,647,275
Total assets		6,388,409	5,882,616	2,220,097	2,067,164

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

Lanna Resources Public Company Limited and its subsidiaries

Statements of financial position (continued)

(Unit: Thousand Baht)

	Note	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		As at	As at	As at	As at
		31 March 2011	31 December 2010	31 March 2011	31 December 2010
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	14	523,000	509,000	-	-
Trade accounts payable					
Related parties	3	3,666	6,287	71,860	71,785
Unrelated parties		376,487	335,979	79,103	30,617
Total trade accounts payable		380,153	342,266	150,963	102,402
Amounts due to related party	3	-	-	204,317	201,745
Current portion of long-term loan from financial institution	15	90,000	-	-	-
Other current liabilities					
Dividend payable		3,379	4,093	3,379	4,093
Accrued expenses		535,890	421,001	4,640	22,255
Corporate income tax payable		219,283	321,028	-	-
Advance received from sales		209	18,610	209	158
Others		126,786	253,294	2,718	24,230
Total other current liabilities		885,547	1,018,026	10,946	50,736
Total current liabilities		1,878,700	1,869,292	366,226	354,883
Non-current liabilities					
Long-term loan from financial institution - net					
of current portion	15	810,000	744,738	-	-
Provision for long-term employee benefits		83,403	84,701	18,715	18,217
Total non-current liabilities		893,403	829,439	18,715	18,217
Total liabilities		2,772,103	2,698,731	384,941	373,100

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

Lanna Resources Public Company Limited and its subsidiaries

Statements of financial position (continued)

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	As at	As at	As at	As at
	<u>31 March 2011</u>	<u>31 December 2010</u>	<u>31 March 2011</u>	<u>31 December 2010</u>
	(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Shareholders' equity				
Share capital				
Registered, issued and fully paid up				
350,000,000 ordinary shares of Baht 1 each	350,000	350,000	350,000	350,000
Share premium	680,400	680,400	680,400	680,400
Retained earnings				
Appropriated - Statutory reserve	35,000	35,000	35,000	35,000
Appropriated - General reserve	429,000	429,000	429,000	429,000
Unappropriated	1,621,040	1,327,681	340,756	199,664
Other component of shareholders' equity	<u>(182,946)</u>	<u>(197,713)</u>	<u>-</u>	<u>-</u>
Equity attributable to owners of the Company	<u>2,932,494</u>	<u>2,624,368</u>	<u>1,835,156</u>	<u>1,694,064</u>
Non-controlling interests of the subsidiaries	<u>683,812</u>	<u>559,517</u>	<u>-</u>	<u>-</u>
Total shareholders' equity	<u>3,616,306</u>	<u>3,183,885</u>	<u>1,835,156</u>	<u>1,694,064</u>
Total liabilities and shareholders' equity	<u>6,388,409</u>	<u>5,882,616</u>	<u>2,220,097</u>	<u>2,067,164</u>
	-	-	-	-

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

Directors

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries

Income statements

For the three-month periods ended 31 March 2011 and 2010

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

	Note	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues					
Sales	3	2,700,243	2,346,428	406,071	242,488
Commission and marketing service income	3	-	-	27,579	28,940
Other income					
Dividend income	3, 8	-	-	134,447	35,942
Right of coal income	3	-	-	8,567	8,220
Gain on exchange		-	-	1,483	-
Interest income	3	2,056	626	1,602	1,925
Others		35,703	37,020	1,081	2,754
Total other income		<u>37,759</u>	<u>37,646</u>	<u>147,180</u>	<u>48,841</u>
Total revenues		<u>2,738,002</u>	<u>2,384,074</u>	<u>580,830</u>	<u>320,269</u>
Expenses					
Cost of sales	3	1,515,543	1,464,010	376,881	218,258
Selling and distribution expenses	3	442,737	363,240	32,933	24,608
Administrative expenses		79,447	93,510	13,256	26,167
Loss on exchange		<u>11,346</u>	<u>15,254</u>	<u>-</u>	<u>13,345</u>
Total expenses		<u>2,049,073</u>	<u>1,936,014</u>	<u>423,070</u>	<u>282,378</u>
Profit before share of income from investment, finance cost and corporate income tax					
Share of income from investment in associated company	9	<u>458</u>	<u>2,185</u>	<u>-</u>	<u>-</u>
Profit before finance cost and corporate income tax		<u>689,387</u>	<u>450,245</u>	<u>157,760</u>	<u>37,891</u>
Finance cost		<u>(3,682)</u>	<u>(5,795)</u>	<u>(34)</u>	<u>(84)</u>
Profit before corporate income tax		<u>685,705</u>	<u>444,450</u>	<u>157,726</u>	<u>37,807</u>
Withholding tax deducted at source		<u>(16,634)</u>	<u>(4,428)</u>	<u>(16,634)</u>	<u>(4,428)</u>
Corporate income tax		<u>(191,607)</u>	<u>(130,155)</u>	<u>-</u>	<u>-</u>
Profit for the period		<u>477,464</u>	<u>309,867</u>	<u>141,092</u>	<u>33,379</u>
Profit attributable to:					
Equity holders of the Company		<u>293,359</u>	<u>195,824</u>	<u>141,092</u>	<u>33,379</u>
Non-controlling interest of the subsidiaries		<u>184,105</u>	<u>114,043</u>		
		<u>477,464</u>	<u>309,867</u>		
Basic earnings per share					
Profit attributable to equity holders of the Company	17	<u>0.84</u>	<u>0.56</u>	<u>0.40</u>	<u>0.10</u>

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

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries

Statements of comprehensive income

For the three-month periods ended 31 March 2011 and 2010

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Profit for the period	<u>477,464</u>	<u>309,867</u>	<u>141,092</u>	<u>33,379</u>
Other comprehensive income:				
Exchange differences on translation of financial statements in foreign currency	<u>16,469</u>	<u>(35,083)</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the period	<u>16,469</u>	<u>(35,083)</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u><u>493,933</u></u>	<u><u>274,784</u></u>	<u><u>141,092</u></u>	<u><u>33,379</u></u>
Total comprehensive income attributable to:				
Equity holders of the Company	<u>308,126</u>	<u>171,083</u>	<u><u>141,092</u></u>	<u><u>33,379</u></u>
Non-controlling interests of the subsidiaries	<u>185,807</u>	<u>103,701</u>		
	<u><u>493,933</u></u>	<u><u>274,784</u></u>		

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

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries**Statements of cash flows****For the three-month periods ended 31 March 2011 and 2010**

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Cash flows from operating activities				
Profit before tax	685,705	444,450	157,726	37,807
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities				
Depreciation and amortisation	50,027	47,742	7,741	7,461
Allowance for doubtful accounts	-	2,965	-	2,965
Allowance for diminution in inventory value (reversal)	(11,535)	(6,339)	1,769	(5,976)
Allowance for diminution in cassava plantation costs	2,993	-	-	-
Share of income from investment in associated company	(458)	(2,185)	-	-
Reversal of impairment of assets	-	(60)	-	(60)
Gain from disposals of equipment and investment properties	(856)	(1,020)	(708)	(207)
Loss on write-off of equipment	752	22	-	22
Dividend income	-	-	(134,447)	(35,942)
Reversal of provision for liabilities from lawsuit	(17,402)	-	(17,402)	-
Provision for long-term employee benefits (reversal)	(1,608)	1,421	498	-
Unrealised loss (gain) on exchange	(91)	(3,387)	2,481	2,687
Interest income	(2,056)	(626)	(1,602)	(1,925)
Interest expenses	3,682	5,795	34	84
Income from operating activities before changes in operating assets and liabilities	709,153	488,778	16,090	6,916
Operating assets (increase) decrease				
Trade accounts receivable	(13,419)	(410,229)	9,697	(43,652)
Amounts due from related party	-	-	2,236	(5,220)
Inventories	(374,222)	(83,761)	(169,865)	(39,153)
Cassava plantation costs	(314)	-	-	-
Other current assets	(25,409)	150,242	(6,989)	(4,071)
Operating liabilities increase (decrease)				
Trade accounts payable	37,887	145,312	48,561	69,418
Amounts due to related parties	-	1,679	-	(744)
Other current liabilities	89,885	(40,963)	(22,388)	(1,755)
Cash from (used in) operating activities	423,561	251,058	(122,658)	(18,261)
Interest income	2,013	587	1,549	1,916
Cash paid for interest expenses	(3,734)	(5,953)	(34)	(99)
Cash paid for withholding tax	(16,634)	(4,428)	(16,634)	(4,428)
Cash paid for corporate income tax	(362,131)	(92,842)	(41)	-
Net cash from (used in) operating activities	43,075	148,422	(137,818)	(20,872)

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

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the three-month periods ended 31 March 2011 and 2010

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Cash flows from investing activities				
Cash received from repayment of loans to related party	-	-	53,681	29,899
Dividend received from subsidiary company	-	-	134,447	35,942
Proceeds from disposals of equipment and investment properties	1,897	2,608	1,339	207
Acquisitions of equipment	(197,427)	(191,019)	(1,352)	(2,719)
Acquisitions of computer software	(121)	(146)	(74)	(27)
Increase in other non-current assets	(19,275)	(21,530)	(1,417)	(512)
Net cash from (used in) investing activities	(214,926)	(210,087)	186,624	62,790
Cash flows from financing activities				
Cash received from short-term loans from financial institutions	14,000	120,700	-	-
Repayment of short-term loans from financial institutions	-	(28,000)	-	(28,000)
Cash received from long-term loans from financial institution	155,262	92,500	-	-
Dividend payment	(110,002)	(29,407)	-	-
Increase (decrease) in non-controlling interests of the subsidiaries	50,192	(10,342)	-	-
Net cash from (used in) financing activities	109,452	145,451	-	(28,000)
Increase (decrease) in exchange differences on translation				
of financial statements in foreign currency	12,019	(6,493)	-	-
Net increase (decrease) in cash and cash equivalents	(50,380)	77,293	48,806	13,918
Cash and cash equivalents at beginning of period	829,223	489,587	26,343	32,464
Effect of change in foreign exchange rate				
on cash at bank balance	3	-	3	-
Cash and cash equivalents at end of period (Note 4)	778,846	566,880	75,152	46,382

Supplemental cash flows information:

Non-cash transactions from investing activities

Increase (decrease) in accounts payable from purchases of

plant, equipment and intangible assets

(100,477)

58,982

-

-

Transferred advance payment for purchase of

investment to investments in subsidiary companies

-

-

151,509

-

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

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the three-month periods ended 31 March 2011 and 2010

(Unit: Thousand Baht)

Consolidated financial statements

	Equity attributable to owners of the Company									
	Retained earnings					Other component of equity				
	Issued and paid-up share capital	Share premium	Appropriated		Unappropriated	Exchange differences on translation of financial statements in foreign currency	Total other component of shareholders' equity	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
			Statutory reserve	General reserve						
Balance as at 31 December 2009	350,000	680,400	35,000	414,000	1,018,024	(89,301)	(89,301)	2,408,123	451,043	2,859,166
Dividend paid (Note 16)	-	-	-	-	-	-	-	-	(29,407)	(29,407)
Total comprehensive income for the period	-	-	-	-	195,824	(24,741)	(24,741)	171,083	103,701	274,784
Balance as at 31 March 2010	<u>350,000</u>	<u>680,400</u>	<u>35,000</u>	<u>414,000</u>	<u>1,213,848</u>	<u>(114,042)</u>	<u>(114,042)</u>	<u>2,579,206</u>	<u>525,337</u>	<u>3,104,543</u>
Balance as at 31 December 2010	350,000	680,400	35,000	429,000	1,327,681	(197,713)	(197,713)	2,624,368	559,517	3,183,885
Dividend paid (Note 16)	-	-	-	-	-	-	-	-	(110,002)	(110,002)
Total comprehensive income for the period	-	-	-	-	293,359	14,767	14,767	308,126	185,807	493,933
Increase in non-controlling interest from increase in share capital of the subsidiary	-	-	-	-	-	-	-	-	48,490	48,490
Balance as at 31 March 2011	<u>350,000</u>	<u>680,400</u>	<u>35,000</u>	<u>429,000</u>	<u>1,621,040</u>	<u>(182,946)</u>	<u>(182,946)</u>	<u>2,932,494</u>	<u>683,812</u>	<u>3,616,306</u>

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

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the three-month periods ended 31 March 2011 and 2010

(Unit: Thousand Baht)

	Separate financial statements					Total
	Issued and paid-up share capital	Share premium	Retained earnings		Unappropriated	
			Appropriated			
			Statutory reserve	General reserve		
Balance as at 31 December 2009	350,000	680,400	35,000	414,000	190,517	1,669,917
Total comprehensive income for the period	-	-	-	-	33,379	33,379
Balance as at 31 March 2010	<u>350,000</u>	<u>680,400</u>	<u>35,000</u>	<u>414,000</u>	<u>223,896</u>	<u>1,703,296</u>
Balance as at 31 December 2010	350,000	680,400	35,000	429,000	199,664	1,694,064
Total comprehensive income for the period	-	-	-	-	141,092	141,092
Balance as at 31 March 2011	<u>350,000</u>	<u>680,400</u>	<u>35,000</u>	<u>429,000</u>	<u>340,756</u>	<u>1,835,156</u>

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

Lanna Resources Public Company Limited and its subsidiaries
Notes to interim financial statements
For the three-month periods ended 31 March 2011 and 2010

1. General information

1.1 Corporate information

Lanna Resources Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Siam City Cement Public Company Limited, which was incorporated in Thailand. The Company is principally engaged in the manufacture and distribution of coal. The registered office of the Company is at 888/99 Ploenchit Road, Lumpini, Pathumwan, Bangkok.

1.2 Bases for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Accounting Standard No. 34 (revised 2009) "Interim Financial Reporting", with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, income statement, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

1.3 Basis of consolidation

These interim consolidated financial statements included the financial statements of Lanna Resources Public Company Limited and its subsidiaries (“the Group”) and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2010. There have been no changes in the composition of the Group during the current period.

1.4 Application of new accounting standards during the period

During the current period, the Company adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

Financial reporting standards:

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources

Financial Reporting Standard Interpretations:

TFRIC 15	Agreements for the Construction of Real Estate
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Accounting Standard Interpretations:

SIC 31	Revenue-Barter Transactions Involving Advertising Services
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These accounting standards do not have any significant impact on the financial statements for the current period, except for the following accounting standard.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment using actuarial techniques. The Company and its subsidiaries previously evaluate and make a provision for post employment benefits using the estimate made by the management in accordance with the labour law.

The Company and its subsidiaries have changed this accounting policy in the current year and recognise the liability in the transition period immediately as expenses in profit or loss for the period. The change has the effect of decreasing the profit of the Company and its subsidiaries for the three-month periods ended 31 March 2011 by Baht 0.15 million, or 0.0004 Baht per share (Separate financial statements: increasing profit by Baht 0.09 million, or 0.0003 Baht per share).

1.5 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2010, except for the changes in the following accounting policies due to the adoption of revised and new accounting standards.

Employee benefits

Post-employment benefits (Defined contribution plans)

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

Post-employment benefits (Defined benefit plans)

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by professionally qualified independent actuaries based on actuarial techniques, using the projected unit credit method. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rates.

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

For the first-time adoption of TAS 19 Employee Benefits, the Company and its subsidiaries elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, immediately as an expenses in profit or loss for the period.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less allowance for loss on impairment (if any).

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

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 deducting 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.

2. New accounting standards issued during the period not yet effective

During the current period, the Federation of Accounting Professions issued the below listed new accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting Standard Interpretations:

SIC 10 Government Assistance - No Specific Relation to Operating Activities

SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets

SIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

3. Related party transactions

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

(Unit: Thousand Baht)

	For the three-month periods ended 31 March			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
<u>Transactions with subsidiaries</u>				
(eliminated from the consolidated financial statements)				
Purchase of coal	-	-	246,742	39,452
Dividend income	-	-	134,447	35,942
Commission and marketing service income	-	-	27,579	28,940
Right of coal income	-	-	8,567	8,220
Interest income	-	-	1,366	1,871

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the three-month periods ended 31 March			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
<u>Transactions with major shareholder</u>				
Sales of coal	238,223	166,338	238,223	166,338
<u>Transactions with associated company</u>				
Purchase of coal	34,470	83,666	34,470	83,666
Freight charge	5,763	16,794	5,763	16,794

	Pricing policy
Sales of coal	Market price at which equivalent quality coal is sold to the same industry
Purchase of coal	Market price for equivalent quality coal
Commission and marketing service income	At the price agreed between the parties which is general price for the same business
Right of coal income	At the agreed price as stipulated in the agreement
Dividend income	At the declared rate
Interest income	LIBOR + 3% per annum
Freight charge	Price comparable to freight charges paid to third parties

As at 31 March 2011 and 31 December 2010, the balances of the accounts between the Company and those related parties are as follows:

Relationship	(Unit: Thousand Baht)				
	Consolidated		Separate		
	financial statements		financial statements		
	31 March 2011	31 December 2010	31 March 2011	31 December 2010	
<u>Trade accounts receivable</u>					
<u>- related parties</u>					
Major shareholder					
Siam City Cement Public Co., Ltd.	Major shareholder and common directors	110,811	89,054	110,811	89,054
Subsidiaries					
PT. Singlurus Pratama	Direct holding and common directors	-	-	9,511	13,982
PT. Lanna Harita Indonesia	Direct holding and common directors	-	-	4,265	4,445
Total trade accounts receivable - related parties		110,811	89,054	124,587	107,481

(Unaudited but reviewed)

(Unit: Thousand Baht)

Relationship	Consolidated		Separate		
	financial statements		financial statements		
	31 March 2011	31 December 2010	31 March 2011	31 December 2010	
<u>Amounts due from related party</u>					
Subsidiary					
PT. Singlurus Pratama	Direct holding and common directors	-	-	4,755	6,991
Total amounts due from related party		-	-	4,755	6,991
<u>Advance payment for purchase of investment in subsidiary company</u>					
Subsidiary					
Thai Agro Energy Public Co., Ltd.	Direct holding and common directors	-	-	-	151,509
Total advance payment for purchase of investment in subsidiary company		-	-	-	151,509
<u>Long-term loans to related party</u>					
Subsidiary					
PT. Lanna Mining Services	Direct holding and common directors	-	-	150,319	204,000
Total long-term loans to related party		-	-	150,319	204,000
<u>Trade accounts payable - related parties</u>					
Subsidiaries					
PT. Singlurus Pratama	Direct holding and common directors	-	-	68,194	16,924
PT. Lanna Harita Indonesia	Direct holding and common directors	-	-	-	48,574
Associated company					
United Bulk Shipping Pte. Ltd.	Direct holding and common directors	3,666	6,287	3,666	6,287
Total trade accounts receivable - related parties		3,666	6,287	71,860	71,785
<u>Amounts due to related party</u>					
Subsidiary					
Lanna (Singapore) Pte. Ltd	Direct holding and common directors	-	-	204,317	201,745
Total amounts due to related party		-	-	204,317	201,745

(Unaudited but reviewed)

During the three-month period ended 31 March 2011, movements of long-term loans to related party were as follows:

(Unit: Thousand Baht)

	31 December 2010	Decrease during the period	31 March 2011
<u>Long-term loans to subsidiary company</u>			
PT. Lanna Mining Services	204,000	(53,681)	150,319

The loans granted to PT. Lanna Mining Services are unsecured, with a term not exceeding 3 years and interest rate at LIBOR+3% per annum. The Company received the portion of loan settlement of Baht 53.7 million in February 2011.

Directors and management's remuneration

During three-month periods ended 31 March 2011 and 2010, the Company and its subsidiaries had salaries, meeting allowances and other benefits of their directors and management recognised as expenses totaling Baht 29.51 million and Baht 19.41 million, respectively (the Company only: Baht 10.77 million and Baht 9.20 million, respectively).

4. Cash and cash equivalents

As at 31 March 2011 and 31 December 2010, cash and cash equivalents consist of the following:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2011	31 December 2010	31 March 2011	31 December 2010
Cash	242	233	40	40
Bank deposits	712,604	828,990	9,112	26,303
Investments in bond of the				
Bank of Thailand	66,000	-	66,000	-
Total	778,846	829,223	75,152	26,343

As at 31 March 2011, bank deposits in savings account, fixed deposits and short-term investments carried interests between 0.05 and 3 percent per annum (31 December 2010: between 0.12 and 3 percent per annum).

5. Trade accounts receivable

The balances of trade accounts receivable as at 31 March 2011 and 31 December 2010, aged on the basis of due dates, are summarised below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2011	31 December 2010	31 March 2011	31 December 2010
Age of receivables				
<u>Related parties</u>				
Not yet due	110,811	89,054	124,248	101,731
Over due				
1 - 3 months	-	-	339	5,750
Total	110,811	89,054	124,587	107,481
<u>Unrelated parties</u>				
Not yet due	761,012	769,350	68,001	94,804
Total	761,012	769,350	68,001	94,804
Total trade accounts receivable	871,823	858,404	192,588	202,285

6. Allowance for diminution in inventory value

Movements in the allowance for diminution in inventory value account during the three-month period ended 31 March 2011 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 31 December 2010	13,304	-
Add: Increase in allowance for diminution in inventory value	1,769	1,769
Less: Reversal of allowance for diminution in inventory value	(13,304)	-
Balance as at 31 March 2011	1,769	1,769

7. Allowance for diminution in cassava plantation costs

Movements in the allowance for diminution in cassava plantation costs account during the three-month period ended 31 March 2011 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 31 December 2010	-	-
Add: Increase in allowance for diminution in cassava plantation costs	2,993	-
Balance as at 31 March 2011	2,993	-

8. Investments in subsidiaries

Details of investments in subsidiaries as presented in the separate financial statements are as follows:

		Separate financial statements							
Company	Nature of business	Paid-up capital		Percentage of shareholding		Cost		Dividend received for the three-month periods ended	
		31 March 2011	31 December 2010	31 March 2011 (%)	31 December 2010 (%)	31 March 2011 (Thousand Baht)	31 December 2010 (Thousand Baht)	31 March 2011 (Thousand Baht)	31 March 2010 (Thousand Baht)
Lanna (Singapore) Pte. Ltd. (Incorporated in Singapore)	Investment in foreign projects	SGD 9 million	SGD 9 million	100.00	100.00	215,796	215,796	-	-
PT. Lanna Mining Services (Incorporated in Indonesia)	Coal distribution	USD 2.1 million	USD 2.1 million	99.995	99.995	70,919	70,919	-	-
Thai Agro Energy Public Co., Ltd.	Ethanol production and distribution	Baht 800 million	Baht 600 million	75.75	75.75	606,037	454,528	-	-
PT. Singlurus Pratama (Incorporated in Indonesia)	Coal production and distribution	Rp 7,950 million	Rp 7,950 million	65.00	65.00	18,626	18,626	-	-
PT. Lanna Harita Indonesia (Incorporated in Indonesia)	Coal production and distribution	USD 8 million	USD 8 million	55.00	55.00	155,024	155,024	134,447	35,942
PT. Citra Harita Mineral (Incorporated in Indonesia)	Service in coal production and port and jetty service	Rp 1,000 million	Rp 1,000 million	55.00	55.00	2,187	2,187	-	-
Total						1,068,589	917,080	134,447	35,942

Local subsidiary

Thai Agro Energy Public Co., Ltd.

On 28 October 2010, the Extraordinary General Meeting of shareholders of Thai Agro Energy Public Company Limited No. 1/2010 passed the following resolutions.

1. To decrease Thai Agro Energy Public Company Limited's registered share capital from Baht 800,000,000 (800,000,000 ordinary shares of Baht 1 each) to Baht 600,000,000 (600,000,000 ordinary shares of Baht 1 each) by decreasing the un-issued capital by 200,000,000 shares at the par value of Baht 1 each, in order to cancel the shares to be issued for the initial public offering.
2. To increase Thai Agro Energy Public Company Limited's registered share capital from Baht 600,000,000 (600,000,000 ordinary shares of Baht 1 each) to Baht 800,000,000 (800,000,000 ordinary shares of Baht 1 each) by issuing and offering 200,000,000 new ordinary shares at the par value of Baht 1 per share to the existing shareholders. The capital increase will be reserved for the construction of the second ethanol production plant.

As at 31 December 2010, the subsidiary received advance payments for the 196,401,907 shares of Baht 1 each, or a total of Baht 196,401,907. This included advance of the Company for purchase of 151,509,433 ordinary shares of Baht 1 per share of the subsidiary, or a total of Baht 151,509,433, to maintain its ownership interest in the subsidiary company.

In January 2011, the subsidiary had received additional advance payments for the 3,598,093 shares of Baht 1 each, or a total of Baht 3,598,093. The subsidiary registered the capital increase to be registered, issued and paid-up share capital of Baht 800,000,000 with the Ministry of Commerce on 4 February 2011.

Overseas subsidiary

Lanna (Singapore) Pte. Ltd.

On 21 June 2010, the meeting of the Board of Directors of the Company passed a resolution to approve the change in investment structure of overseas subsidiaries by dissolution and liquidation of Lanna (Singapore) Pte. Ltd. after such subsidiary company sells an ordinary share in PT. Lanna Mining Services to United Bulk Shipping Pte. Ltd.

On 25 June 2010, Lanna (Singapore) Pte. Ltd. already sold an ordinary share in PT. Lanna Mining Services to United Bulk Shipping Pte. Ltd. Currently, Lanna (Singapore) Pte. Ltd. is in the process of dissolution and liquidation.

9. Investment in associated company

Company	Nature of business	Paid-up capital		Percentage of shareholding		Consolidated financial statements		Separate financial statements	
		31 March 2011	31 December 2010	31 March 2011	31 December 2010	Equity method		Cost method	
				(%)	(%)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)
United Bulk Shipping Pte. Ltd. (Incorporated in Singapore)	Shipping business and coal distribution	SGD 0.1 million	SGD 0.1 million	49	49	18,269	17,811	891	891
Total						18,269	17,811	891	891

Share of income from United Bulk Shipping Pte. Ltd. for the three-month period ended 31 March 2011 of approximately Baht 0.5 million (2010: Baht 2.2 million) had been calculated from the financial statements prepared by the management of the associated company and not being reviewed by its auditor.

The Company's management believes that the management accounts of the associated company would not be significantly different from the accounts reviewed by its auditor.

10. Property, plant and equipment

Movements of the property, plant and equipment account for the three-month period ended 31 March 2011 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	<u> </u>	<u> </u>
Net book value as at 31 December 2010	2,434,237	226,831
Acquisitions during the period - cost	96,917	1,352
Disposals and write-off during the period - net book value on disposal/write-off date	(1,185)	(23)
Depreciation for the period	(21,902)	(4,644)
Translation adjustments	1,109	-
Net book value as at 31 March 2011	<u>2,509,176</u>	<u>223,516</u>

A subsidiary has mortgaged part of its land and construction thereon as collateral for short-term and long-term loans and credit facilities granted by commercial bank as discussed in Note 14 and 15.

A subsidiary had capitalised interest expenses as part of costs of machinery and equipment under installation with the capitalisation rate as follows:

	For the three-month periods ended 31 March	
	<u>2011</u>	<u>2010</u>
Interest expenses capitalised as costs of machinery and equipment (Thousand Baht)	7,995	-
Capitalisation rate (percent per annum)	3.80	-

11. Investment properties

As at 31 March 2011, the Company had investment properties, which mainly are plot of land of Paka mine, with an aggregate net book value of approximately Baht 36.95 million (31 December 2010: Baht 37.55 million). The Company is considering making use and/or selling such assets to other parties. However, for some plots of land and land improvement which the Company had considered their net realisable value to be less than the net book value, the Company had set up allowance for loss on impairment of such assets of Baht 1.57 million (31 December 2010: 1.57 million).

12. Intangible assets

Movements of intangible assets, which are computer software, for the three-month period ended 31 March 2011 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 31 December 2010	3,914	1,704
Acquisitions during the period - cost	154	74
Amortisation for the period	(288)	(131)
Net book value as at 31 March 2011	<u>3,780</u>	<u>1,647</u>

13. Other non-current assets

Other non-current assets consist of the following items and have been shown net of relevant accumulated amortisation.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	31 March 2011	31 December 2010	31 March 2011	31 December 2010
Deferred overburden removal expenses	25,483	27,275	-	-
Deferred expenses - Indonesia coal mine project	320,460	336,346	-	-
Deferred right to receive the fee according to contract	102,316	105,282	102,316	105,282
Others	57,257	43,226	3,842	2,425
Total other non-current assets	<u>505,516</u>	<u>512,129</u>	<u>106,158</u>	<u>107,707</u>

Acquisition of rights in coal produced and distributed from the concession area of PT. Singlurus Pratama

On 6 March 2008, the Company acquired the rights to the first 15 million tons of coal produced and distributed from the concession area of PT. Singlurus Pratama (SGP) at a price of USD 0.75 per ton, in accordance with the Marketing and Technical Service Agreement and Service Agreement, which stipulate that PT. Indocoal Pratama Jaya (IPJ) is to receive a fee of USD 0.75 per ton of coal produced and distributed from SGP.

IPJ has an agreement with a creditor who provided it with financial support, whereby IPJ agreed to pay the creditor the fees it receives at a rate of USD 0.75 per ton for the first 15 million tons of coal produced and distributed from the SGP concession.

That creditor agreed to sell its right to the Company at a negotiated price of USD 3.75 million, or equivalent to Baht 118.28 million, with the Company making a lump sum payment. Such fees will be amortised according to the quantity of coal sold from SGP and the Company had already started amortising the fee since July 2009.

14. Short-term loans from financial institutions

As at 31 March 2011, a subsidiary had short-term loans from bank in the form of promissory notes which are repayable within 3 months. The loans bear interest at the rate of 2.85 - 5.25 percent per annum. The loans amounting to Baht 150 million are secured by the mortgage of part of the subsidiary's land and construction thereon as discussed in Note 10.

15. Long-term loan from financial institution

Movements of the long-term loan from financial institution for the three-month period ended 31 March 2011 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 31 December 2010	744,738	-
Add: Additional loan during the period	155,262	-
Balance as at 31 March 2011	900,000	-
Less: Current portion	(90,000)	-
Long-term loan from financial institution - net	<u>810,000</u>	<u>-</u>

On 16 June 2009, a subsidiary entered into a loan agreement with a local bank, obtaining loan facilities of Baht 900 million for the construction of the second ethanol production plant and the purchase of machinery for this plant. The loan initially carries interest at a fixed rate of 3.80 percent per annum for the first 2 years, and THBFIX reference rate plus 2.10 percent per annum during the third to seventh year. The loan is repayable within 7 years with grace period of 30 months and then to be repaid in 10 semi-annually installments of Baht 90 million each from March 2012 to October 2016. The loan is secured by the mortgage of part of the subsidiary's land and construction thereon as discussed in Note 10.

The loan agreement contains covenants that, among other things, requires the subsidiary to maintain certain financial ratios according to the agreement such as debt to equity and debt service coverage ratios.

As at 31 March 2011, the subsidiary could not maintain certain financial ratio as specified in the loan agreement. The subsidiary has negotiated with the bank, and had already obtained a waiver letter for the condition to maintain certain financial ratios for the period ended 31 March 2011 from that bank.

16. Dividend paid

Dividends paid by the Group during the three-month periods ended 31 March 2011 and 2010 are as follows:

Oversea subsidiary

PT. Lanna Harita Indonesia

Dividends	Approved by	Total dividends (US Dollar)	Dividend per share (US Dollar)	Paid on
<u>2011</u>				
The fourth interim dividend for 2010	Board of Directors' meeting on 19 January 2011	6,400,000	800	24 January 2011
The first interim dividend for 2011	Board of Directors' meeting on 10 March 2011	1,600,000	200	14 March 2011
Total		8,000,000	1,000	
<u>2010</u>				
The third interim dividend for 2009	Board of Directors' meeting on 18 February 2010	2,000,000	250	2 March 2010
Total		2,000,000	250	

17. Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period.

	For the three-month periods ended 31 March			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Profit for the period (Thousand Baht)	293,359	195,824	141,092	33,379
Weighted average number of ordinary shares (Thousand shares)	350,000	350,000	350,000	350,000
Earnings per share (Baht/share)	0.84	0.56	0.40	0.10

(Unaudited but reviewed)

18. Financial information by segment

The Company's and its subsidiaries' current main operations involve coal mining and manufacture of ethanol, which are carried on in Thailand and Indonesia. Information of the Company and its subsidiaries by geographical and business segment is as follows:

(Unit: Thousand Baht)

	Consolidated income statements for the three-month periods ended 31 March									
	Domestic coal business		Oversea coal business		Ethanol business		Elimination of inter-segment revenues		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenues from external customers	406,071	242,488	2,063,187	1,886,881	230,985	217,059	-	-	2,700,243	2,346,428
Inter-segment revenues	36,146	37,160	246,742	39,452	-	-	(282,888)	(76,612)	-	-
Total revenues	442,217	279,648	2,309,929	1,926,333	230,985	217,059	(282,888)	(76,612)	2,700,243	2,346,428
Operating income	65,336	61,390	1,149,328	843,540	4,616	13,374	(34,580)	(35,886)	1,184,700	882,418
Unallocated income (expenses)										
Other income									37,759	37,646
Share of income from investment in associated company									458	2,185
Selling and distribution expenses									(442,737)	(363,240)
Administrative expenses									(79,447)	(93,510)
Loss on exchange									(11,346)	(15,254)
Finance cost									(3,682)	(5,795)
Withholding tax deducted at source									(16,634)	(4,428)
Corporate income tax									(191,607)	(130,155)
Non-controlling interest of the subsidiaries									(184,105)	(114,043)
Profit for the period									293,359	195,824

19. Significant contracts and agreements

19.1 In 1998, PT. Lanna Harita Indonesia had been granted the right under a Coal Contract of Work (“CCOW”) from the Indonesian government to explore for and exploit coal for a period of thirty years in a total survey area of 30,018 hectares in Tanah Merah in Samarinda and Kutai, East Kalimantan, Indonesia. The subsidiary has a continuing obligation to pay a fee and compensation under the contract.

19.2 On 25 April 2008, the Company and Saraburi Resources Pte. Ltd., which was incorporated in Singapore (which received the right to sell coal from PT. Saraburi Batu Hitum in Indonesia) entered into the Agreement for Sale and Purchase of Steam Coal of 2 million metric tons, whereby the Company is to take delivery of coal for a term of about 2 years, and is to make advance payment amounting to USD 4 million to Saraburi Resources Pte. Ltd. On 6 May 2008, the Company made advance payment amounting to USD 2 million, or equivalent to Baht 63.46 million. Saraburi Resources Pte. Ltd. will refund the advance payment in the form of a deduction from the price of coal delivered to the Company, at a rate of USD 2 per ton, until the advance has been covered. Other conditions are specified in the agreements. PT. Saraburi Batu Hitum and two directors of Saraburi Resources Pte. Ltd. are guarantors for performance in accordance with the agreement, and a shareholder of PT. Saraburi Batu Hitum has pledged 3,000 shares of PT. Saraburi Batu Hitum and the shareholders of Saraburi Resources Pte. Ltd. have pledged 10,000 shares as share charge to guarantee performance bonds as required under the agreement.

Saraburi Resources Pte. Ltd. was obliged to start delivering coal within January 2009 but it was unable to comply with the agreement. The Company and this company have continuously negotiated to find a resolution for this issue, but no conclusion has been reached yet. For a prudent reason, the Company has set full allowance for doubtful account for this advance payment.

19.3 In 1997, PT. Singlurus Pratama was granted the right under a Coal Contract of Work (“CCOW”) from the Indonesian government to explore for and exploit coal for a period of thirty years beginning at the commencement of the first mining operation in a total survey area of 24,760 hectares in Kutai, East Kalimantan, Indonesia. The subsidiary has a continuing obligation to pay a fee and compensation under the contract.

In March 2009, the subsidiary received the consent from Indonesian government to start the production activities.

19.4 On 16 February 2009, PT. Citra Harita Mineral signed the Agreement on Coal Processing Service, Coal Loading Service and the Use of Jetty Facilities with a coal operator in Indonesia, for a period of 2 years commencing April 2009. Service fees are charged at the rate as stipulated in the agreement.

19.5 In January 2011, PT. Lanna Harita Indonesia and PT. Singlurus Pratama, subsidiary companies, entered into the sale commission agreements with an overseas company. The agreements stipulate that such overseas company is to receive a commission fee of coal distributed by the subsidiary companies to a customer provided by such overseas company. Commission fees are charged at the rate as stipulated in the agreements.

20. Commitments and contingent liabilities

20.1 Capital commitments

As at 31 March 2011, the Company and a subsidiary had capital commitments of approximately Baht 20.14 million and Euro 1.18 million, totaling approximately Baht 70.87 million, relating to the construction of building and the second ethanol production and the acquisitions of machinery and equipment (the Company only: Baht 1.37 million, relating to the construction of building and the acquisitions of machinery).

20.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of land, office building space, and vehicles. The terms of the agreements are generally between 1 and 5 years. As at 31 March 2011, future minimum payments under these lease agreements are as follows:

	(Unit: Million Baht)	
<u>Payable within</u>	Consolidated financial statements	Separate financial statements
Less than 1 year	25.28	7.81
1 to 5 years	24.95	20.30

20.3 Long-term service and purchase commitments

a) The Company and its subsidiaries had commitments under several service agreements in respect of the security service, cars maintenance service and other services. The terms of the agreements are generally between 1 and 5 years. As at 31 March 2011, future minimum payments under these agreements are as follows:

	(Unit: Million Baht)	
<u>Payable within</u>	Consolidated Financial Statements	Separate financial statements
Less than 1 year	3.06	1.25
1 to 5 years	4.64	4.64

- b) Local subsidiary had signed the Power Supply Agreement dated 21 December 2010 with the Provincial Electricity Authority to purchase electricity at the rate as stipulated in the agreement.
- c) Local subsidiary 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 and sales of molasses are those stipulated in the agreement.
- d) Local subsidiary had commitments under service agreement with regard to the consulting for the construction of the second ethanol production plant of Baht 1 million.
- e) The Company and oversea subsidiaries had commitments under service agreements with regard to the legal consulting, the consulting for mining, environment and safety and other consulting of Baht 6.67 million (the Company only: Baht 0.5 million).

20.4 Guarantees

As at 31 March 2011, the Company and its subsidiaries had bank guarantees of approximately Baht 12.04 million and USD 1.18 million and the Separate financial statements of Baht 0.4 million (31 December 2010: Baht 12.09 million and the Separate financial statements of Baht 0.4 million) issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds required in the ordinary course of business of the Company and its subsidiaries.

21. Litigation

- 21.1 In 2008, a company claimed that the Company did not comply with the sea coal transportation agreement dated 2 September 2008 for coal transportation from a harbor in Indonesia to Thailand. This company claimed a damage of USD 1.14 million or equivalent to Baht 34.50 million. There have been extensive negotiations with respect to the services but there is no written agreement. However, this company sued the Company in the US court and the Court froze cash of the Company which was to be paid to and received from the related companies for services, totaling USD 0.52 million or equivalent to Baht 17.40 million. However, in the second quarter of 2009, the US court cancelled the freezing of the cash of the Company and ordered it to be placed with the Court instead. The Company recorded cash which was placed with court as assets awaiting for return from the court. The Company received such money from the court in January 2010. However, as at 31 December 2010, the Company remained provision for litigation loss which approximates the amount placed with the Court until the case is finalised. Later, on 28 February 2011, the Court ordered dismissal of the case. The Company therefore reversed the provision for litigation loss of Baht 17.40 million to the income statement for the current period.

21.2 As at 31 March 2011, a subsidiary company in Indonesia had contingent liabilities in respect of lawsuits, which were brought by an outside party, claiming for damages of Rupiah 62,000 million or equivalent to approximately Baht 229 million, in relation to rights over the land used by the subsidiary company for mining. On 8 April 2009, the Court of Samarinda rendered a judgment that the plaintiff has rights over the subsidiary's mined land. However, the court ordered the subsidiary company to pay only the trial fee amounting to Rupiah 0.66 million or equivalent to Baht 2,500. The plaintiff is in the course of filing a petition for the case. However, the subsidiary company's management believes that the case will be settled in its favour, and it will not suffer any significant losses as a result of the above litigation. Therefore, the subsidiary company has not made any loss provision for the lawsuit in its accounts.

22. Foreign currency risk

The Company's and its subsidiaries' exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company and its subsidiaries seek to reduce this risk by entering into forward exchange contracts, with maturity of less than one year, when they consider appropriate.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 March 2011 are summarised below.

Foreign currency	Financial	Financial	Exchange rate	
	Assets	liabilities	as at 31 March 2011	
	(Million)	(Million)	Buying rate	Selling rate
US dollar	3.41	3.04	30.1585	30.4348
SG dollar	-	3.64	23.7964	24.2644

As at 31 March 2011, the Company and its subsidiaries had no outstanding forward exchange contract.

23. Subsequent events

23.1 Disposal of investment in subsidiary

On 18 April 2011, the meeting of the Company's Board of Directors passed a resolution to sell investment in Thai Agro Energy Public Company Limited, a subsidiary company, to The Bangchak Petroleum Public Company Limited. On 9 May 2011, the Company entered into the sale and purchase agreement to sell 246,037,733 ordinary shares of the subsidiary company at Baht 1.37 per share, totaling Baht 337,071,694. As a result, the Company's investment in that company is reduced from 75.75 percent to 45.00 percent.

23.2 Dividend

On 18 April 2011, the Annual General Meeting of the Company's shareholders passed a resolution approving the payment of a dividend in respect of the 2010 operating income of Baht 1.05 per share or a total of Baht 367.5 million. Following the Company's Board of Directors' Meeting on 17 November 2010, which passed a resolution approving the payment of interim dividend of Baht 0.5 per share or a total of Baht 175 million, the additional payment of dividend remains at Baht 0.55 per share or a total of Baht 192.5 million, which will be paid on 4 May 2011. In addition, the meeting approved to set aside a general reserve of Baht 7 million. The dividend and general reserve will be recorded in the second quarter of the current year.

24. Reclassification

Certain amounts in statements of financial position as at 31 December 2010 and income statements for the three-month period ended 31 March 2010 have been reclassified to conform to the current period's classification but with no effect to previously reported profit for the period or shareholders' equity. The reclassifications are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
<u>Statements of financial position</u>				
<u>as at 31 December 2010</u>				
Investment properties - net	37,553	-	37,553	-
Goodwill	186,000	-	-	-
Non-operating assets - net	-	37,553	-	37,553
Other non-current assets	512,129	698,129	107,707	107,707
<u>Income statements for the three-month period ended 31 March 2010</u>				
Reversal of allowance for diminution in inventory value	-	6,339	-	5,976
Cost of sales	1,464,010	1,470,349	218,258	224,234
Selling and distribution expenses	363,240	362,020	24,608	23,388
Administrative expenses	93,510	75,323	26,167	18,190
Management benefit expenses	-	19,407	-	9,197

25. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised directors on 11 May 2011.