

Lanna Resources Public Company Limited  
and its subsidiaries  
Report and consolidated financial statements  
31 December 2016

## **Independent Auditor's Report**

To the Shareholders of Lanna Resources Public Company Limited

### **Opinion**

I have audited the accompanying consolidated financial statements of Lanna Resources Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Lanna Resources Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lanna Resources Public Company Limited and its subsidiaries and of Lanna Resources Public Company Limited as at 31 December 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Basis for Opinion**

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and audit procedures responding to each matter are described below.

#### *Revenue recognition*

Revenue from sales is a significant account because the amount of revenue from sales is material and directly affects the Group's profit or loss. The Group has major revenues from production and distribution of coals and ethanol which are prone to fluctuations in price and demand. In addition, revenues from sales of overseas subsidiaries represent a significant portion of the Group's total sales. There is therefore a risk with respect to the amount and timing of revenue recognition.

I examined the Group's revenue recognition by assessing and testing its internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. I applied a sampling method to select sales agreements to assess whether the revenue recognition was consistent with the conditions of the relevant agreement, and whether it was in compliance with the Group's policy. On a sampling basis, I also examined supporting documents for actual sales transactions occurring during the year and near the end of the accounting period, and reviewed credit notes that the Group issued after the period-end. Moreover, I performed analytical procedures on disaggregated data to detect possible irregularities in sales transactions throughout the period, particularly for accounting entries made through journal vouchers.

#### *Coal reserve estimates for the overseas subsidiaries*

Coal reserves are estimates of the amounts of coal that can be economically and legally extracted by the subsidiary companies. The subsidiary companies determine and report their coal reserves under the Australasian Code for Reporting, Exploration Results, Mineral Resources and Ore Reserves (Joint Ore Reserves Committee Code).

Estimating coal reserves requires the use of assumptions about a range of geological, technical and economic factors, including production quantities, production techniques, stripping ratio, production costs, transport costs, commodity demand, coal prices and exchange rates.

Estimating the quantity and/or calorific value of coal ore reserves requires the size, shape and depth of coal ore bodies or fields to be determined through an analysis of geological data such as drilling data, samples and topography. The process of making judgments with respect to such geological data is complex and difficult.

Because the economic assumptions used to estimate the reserves change from period to period, and because additional geological data may be generated during the course of operations, the estimates of reserves may change from period to period.

Changes in reported reserves may affect the subsidiary companies' financial results and financial position in a number of ways, including the following:

- Assets' carrying values may be affected by changes in estimated future cash flows.
- Depreciation, depletion and amortisation charges in the statements of income and other comprehensive income may change when such charges are determined by the units of production basis, or when the useful economic lives of assets change.
- Overburden removal costs recorded in the statements of financial position or charged to the statement of income and other comprehensive income may change due to changes in stripping ratios.
- Decommissioning costs and provisions for site and environmental restoration may change due to changes in estimated reserves which result from the timing or cost of these activities.
- The recognised value of deferred tax assets/liabilities may change due to changes in estimates of the recoverable amounts of the tax benefits.

I audited the coal reserve estimates by assessing the competency and capability of the management and the expert used by the management to estimate the subsidiary companies' coal reserves as of 31 December 2016. In addition, I tested the significant assumptions used by the management and the expert in the estimation, especially the assumptions relating to coal prices, production levels and discount rate determination. I also reviewed the disclosure of the accounting policy relating to the estimation of coal reserves in the notes to the financial statements.

## *Goodwill*

As at 31 December 2016, the Company recorded goodwill amounting to Baht 186 million, as disclosed in Note 16 to the financial statements. The assessment of goodwill impairment is a significant accounting estimate requiring the management to exercise a high degree of judgment in identifying the cash generating unit, estimating the cash inflows that are expected to be generated from the group of assets in the future, and setting an appropriate discount rate and long-term growth rate. This will affect the appropriateness of the amount of goodwill.

I assessed the identification of cash generating units and the financial models selected by the management by making enquiry of the management and gaining an understanding of its decision-making process to assess whether the decisions made were consistent with how the assets are utilised. In addition, I tested the significant assumptions applied by the management in preparing estimates of the cash flows expected to be realised from the assets, by comparing those assumptions with information from both internal and external sources and comparing past cash flow projections to actual operating results in order to evaluate the exercise of management judgment in estimating the cash flow projections. I also evaluated the discount rate applied by the management through analysis of the weighted average finance costs of the Company and of the industry, tested the calculation of the recoverable amounts of the assets using the selected financial model and considered the impact of changes in key assumptions on those recoverable amounts, especially changes in the discount rate and long-term revenue growth rates. Moreover, I reviewed the disclosures made with respect to the impairment assessment for goodwill, and performed sensitivity analysis on the impact of changes in key assumptions to the cash flow projections.

### *Estimation of recoverable amount of tax refund claims by overseas subsidiaries*

As of 31 December 2016, three overseas subsidiaries recognised estimates of tax refund claims totaling Baht 898 million, which consisted of value added tax and corporate income tax amounting to Baht 766 million and Baht 132 million, respectively.

The estimate of the value added tax refund claim was determined based on the netting of the input tax and output tax. The subsidiary companies recognised the overpaid value added tax as assets because they generated revenue mostly from export sales, which are subject to value added tax at a 0% rate.

The estimates of the corporate income tax refund claim was measured at the amount expected to be recovered from the tax authority, which is the excess of prepaid corporate income tax over the corporate income tax expense for the respective fiscal year. The corporate income tax expense is determined by multiplying the estimated taxable income by the prevailing tax rate.

The recoverability of the estimated claims for tax refunds is dependent on examination by the tax authority. In addition, there are complexities and uncertainties with respect the interpretation of tax regulations.

I have audited the management's assessment of the uncertainties relating to the tax refund claims through a discussion with the management, review of the correspondence between the subsidiaries and the tax authority and consideration of the past results of tax assessments by the tax authority. I also reviewed the related disclosures made in the notes to the financial statements.

### **Other Information**

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.



I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mrs. Saifon Inkaew.

Saifon Inkaew  
Certified Public Accountant (Thailand) No. 4434

EY Office Limited  
Bangkok: 24 February 2017

Lanna Resources Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	698,170,417	660,146,420	82,501,985	61,886,443
Current investments	8	632,805,833	850,794,149	629,525,469	850,014,971
Trade and other receivables	6, 9	616,554,847	812,318,391	203,026,352	245,174,024
Inventories	10	460,385,948	478,144,681	228,407,387	96,138,422
Input tax refundable		805,566,404	805,778,596	9,101,435	-
Prepaid income tax		131,525,167	215,406,671	-	-
Advance payments for goods	6, 11	585,797,067	598,524,563	89,147,000	-
Other current assets		35,024,129	47,338,195	1,984,144	2,280,009
<b>Total current assets</b>		<b>3,965,829,812</b>	<b>4,468,451,666</b>	<b>1,243,693,772</b>	<b>1,255,493,869</b>
<b>Non-current assets</b>					
Restricted bank deposits	7	78,608,521	78,296,923	-	-
Investments in subsidiaries	12	-	-	757,038,192	754,538,196
Investment in associated company	13	25,221,109	42,217,156	890,679	890,679
Investment properties	14	32,422,689	34,726,037	32,422,689	34,726,037
Property, plant and equipment	15	3,635,875,583	3,289,371,240	274,597,056	262,346,420
Goodwill	16	185,999,788	185,999,788	-	-
Intangible assets	17	5,108,820	4,746,610	2,587,872	722,234
Deferred tax assets	28	22,010,866	21,599,275	18,795,879	18,226,306
Other non-current assets	18	579,425,002	653,756,257	13,213,821	24,194,688
<b>Total non-current assets</b>		<b>4,564,672,378</b>	<b>4,310,713,286</b>	<b>1,099,546,188</b>	<b>1,095,644,560</b>
<b>Total assets</b>		<b>8,530,502,190</b>	<b>8,779,164,952</b>	<b>2,343,239,960</b>	<b>2,351,138,429</b>

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

Lanna Resources Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions					
	19	1,031,549,635	1,036,963,742	-	-
Trade and other payables					
	6, 20	481,386,566	410,730,852	136,407,208	50,121,085
Current portion of liabilities under finance lease agreements					
	21	2,804,604	1,449,412	-	-
Current portion of long-term loan from financial institution					
	22	180,000,000	180,000,000	-	-
Accrued expenses					
		151,377,824	441,139,201	12,524,661	31,004,477
Income tax payable					
		25,405,166	10,027,201	91,335	7,529,694
Other current liabilities					
	29	<u>122,790,597</u>	<u>85,475,779</u>	<u>9,524,879</u>	<u>23,996,124</u>
<b>Total current liabilities</b>					
		<u>1,995,314,392</u>	<u>2,165,786,187</u>	<u>158,548,083</u>	<u>112,651,380</u>
<b>Non-current liabilities</b>					
Liabilities under finance lease agreements					
- net of current portion					
	21	3,956,711	4,091,798	-	-
Long-term loan from financial institution					
- net of current portion					
	22	117,757,191	297,757,191	-	-
Provision for long-term employee benefits					
	23	186,709,390	151,254,299	27,220,179	24,516,618
Provision for mine reclamation and decommissioning costs					
	24	110,388,866	104,474,996	-	-
Deferred tax liabilities					
	28	51,395,872	74,604,253	-	-
Other non-current liabilities					
	29	<u>258,619,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total non-current liabilities</b>					
		<u>728,827,530</u>	<u>632,182,537</u>	<u>27,220,179</u>	<u>24,516,618</u>
<b>Total liabilities</b>					
		<u>2,724,141,922</u>	<u>2,797,968,724</u>	<u>185,768,262</u>	<u>137,167,998</u>

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

Lanna Resources Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b>Liabilities and shareholders' equity (continued)</b>					
<b>Shareholders' equity</b>					
<b>Share capital</b>					
Registered, issued and fully paid up					
524,999,679 ordinary shares of Baht 1 each		524,999,679	524,999,679	524,999,679	524,999,679
Share premium		680,400,000	680,400,000	680,400,000	680,400,000
Retained earnings					
Appropriated - Statutory reserve	25	52,500,000	52,500,000	52,500,000	52,500,000
Appropriated - General reserve		746,000,000	734,900,000	746,000,000	734,900,000
Unappropriated		1,920,661,331	2,057,901,972	153,572,019	221,170,752
Other components of shareholders' equity		193,989,842	206,675,074	-	-
<b>Equity attributable to owners of the Company</b>		<b>4,118,550,852</b>	<b>4,257,376,725</b>	<b>2,157,471,698</b>	<b>2,213,970,431</b>
Non-controlling interests of the subsidiaries		1,687,809,416	1,723,819,503	-	-
<b>Total shareholders' equity</b>		<b>5,806,360,268</b>	<b>5,981,196,228</b>	<b>2,157,471,698</b>	<b>2,213,970,431</b>
<b>Total liabilities and shareholders' equity</b>		<b>8,530,502,190</b>	<b>8,779,164,952</b>	<b>2,343,239,960</b>	<b>2,351,138,429</b>
		-	-	-	-

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

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Directors  
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**Lanna Resources Public Company Limited and its subsidiaries**  
**Notes to consolidated financial statements**  
**For the year ended 31 December 2016**

**1. General 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 lignite. The registered office of the Company is at 888/99 Mahathun Plaza Buiding 9th floor, Ploenchit Road, Lumpini, Pathumwan, Bangkok.

**2. Basis of preparation**

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 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.

2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of Lanna Resources Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Relationship	Country of incorporation	Shareholding percentage	
				2016 Percent	2015 Percent
<b><u>Held by the Company</u></b>					
<b>Local subsidiary</b>					
Lanna Power Generation Company Limited	Investment business and power generation and distribution services	Direct holding and common directors	Thailand	100.00	-
Thai Agro Energy Public Co., Ltd.	Ethanol production and distribution	Direct holding and common directors	Thailand	51.00	51.00
<b>Overseas subsidiaries</b>					
PT. Lanna Mining Services	Coal distribution	Direct holding and common directors	Indonesia	99.95	99.95
PT. Singlurus Pratama	Coal production and distribution	Direct holding and common directors	Indonesia	65.00	65.00
PT. Lanna Harita Indonesia	Coal production and distribution	Direct holding and common directors	Indonesia	55.00	55.00

Company's name	Nature of business	Relationship	Country of incorporation	Shareholding percentage	
				<u>2016</u> Percent	<u>2015</u> Percent
<b><u>Held by associated company</u></b>					
PT. Lanna Mining Services	Coal distribution	Direct holding	Indonesia	0.05	0.05

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) The assets and liabilities in the financial statements of overseas subsidiary companies are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currency" in the shareholders' equity.
- f) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.
- h) The excess of the cost of investment in a subsidiary company over the Company's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired as at the investment date has been shown as "Goodwill" and separately presented as non-current asset in the consolidated statement of financial position and is measured at cost less any accumulated impairment losses (if any).

2.3 The separate financial statements present investments in subsidiaries and associated company under the cost method.

### **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 year**

The Company and its subsidiaries have adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. 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 standards. The adoption of these financial reporting standards does not have any significant impact on the Company's and its subsidiaries' financial statements.

#### **(b) Financial reporting standard that will become effective in the future**

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2017. 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 standards.

The management of the Company and its subsidiaries believe that the revised financial reporting standards and interpretations and new accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied. However, one standard involves changes to key principles, which are summarised below.

#### **TAS 27 (revised 2016) Separate Financial Statements**

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

This standard will not have any significant impact on the Company and its subsidiaries' financial statements because the management has decided to continue accounting for such investments under the cost method in the separate 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.

Income from coal sales are recorded according to the weight as recorded at the Company's site or the customer's site. Adjustments of the sales price due to quality and weight considerations are recognised in the month in which notification is received from customers.

###### *Commission and marketing service income*

Commission and marketing service income are recognised on an accrual basis when overseas subsidiaries sell coal to the buyer who the Company provides to subsidiaries.

###### *Service income*

Service income is recognised on an accrual basis when overseas subsidiary sells coal which is produced from its concession area to the buyer.

###### *Interest income*

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

###### *Dividends*

Dividends are recognised when the right to receive the dividends is established.

##### **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 Trade accounts receivable**

Trade accounts receivable 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.

### **4.4 Inventories**

Inventories are valued at the lower of cost (under the weighted average method) and net realisable value. The cost of finished goods and work in process includes cost of material, labour and overheads.

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

Allowance for diminution in inventory value is provided for the excess of cost over the net realisable value of inventories and for slow moving or deteriorated inventories.

Net realisable value is selling price in normal course of business less other costs incurred to sell the goods.

### **4.5 Investments**

- a) Investments in securities held for trading are stated at fair value. Change in the fair value of these securities, which is determined from their net asset value, are recorded in profit or loss.
- b) Investment in associated company is accounted for in the consolidated financial statements using the equity method.
- c) Investments in subsidiaries and associated company are accounted for in the separate financial statements using the cost method net of allowance for impairment loss (if any).

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

#### **4.6 Investment properties**

Investment properties, which are plots of land, are initially measured 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.

#### **4.7 Property, plant and equipment and depreciation**

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

The cost of property, plant and equipment also includes the initial estimate of the cost of dismantling and removing an item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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

Land improvement	5 - 10 years
Building and amenities	5 - 30 years
Machinery and equipment	4 - 30 years
Furniture and office equipment	3 - 15 years
Vehicles	5 - 10 years

Depreciation is included in determining income.

No depreciation is provided on assets under construction and installation, land improvement of a local subsidiary and land, except for mining land which is depleted in accordance with the difference between its purchase cost and fair value and on the basis of units produced in proportion to the total coal reserves.

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

#### **4.8 Intangible assets**

Intangible assets are initially recognised at cost. Following the initial recognition, the 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 of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

Intangible asset with finite useful lives, which is computer software, has useful lives of 3 - 10 years.

#### **4.9 Other non-current assets**

##### *Assets under exploration for and evaluation of mineral resources*

Exploration and evaluation expenditures of the subsidiaries involve expenditures relating to the search for mineral resources after the subsidiaries have obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource such as license costs, expenditures from topographical, geological, geochemical and geophysical studies, exploratory drilling expenditure and sampling expenditure.

Exploration and evaluation expenditures are recorded as assets except for administration expenditures that are not directly attributable to the specific area are charged to profit or loss. Following the initial recognition, exploration and evaluation assets are stated at cost less allowance for impairment (if any). In case when the future benefit of these assets is in doubt, they are written off to period expenses immediately.

Exploration and evaluation assets are classified as part of deferred exploration and development costs when proven reserves of the specific area are completely determined.

##### *Deferred exploration and development costs*

Development expenditures and incorporated costs before the production stage, which are net of proceeds from the sale of coal extracted during the development phase, are capitalised as deferred exploration and development costs. When the mine construction project moves into the production stage, deferred exploration and development costs are amortised as expenses in accordance with the proportion of units produced to total coal reserves.

### *Deferred stripping costs*

Stripping costs/overburden removal expenses during the development phase of the mine are capitalised as part of the deferred stripping costs.

Stripping costs during the production phase are capitalised as part of the deferred stripping costs if, and only if, all of the following are met:

- a) It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the subsidiaries.
- b) The subsidiaries can identify the component of the ore body for which access has been improved.
- c) The costs relating to the stripping activity associated with that component can be measured reliably.

The deferred stripping costs shall be initially recognised at cost and subsequently stated at cost less accumulated amortisation, which is calculated using the proportion of unit produced to total reserves, and allowance for impairment (if any). In case when the future benefit of these assets is in doubt, they are written off to period expenses immediately.

### **4.10 Goodwill**

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in the profit or loss.

Goodwill is carried at cost less any accumulated impairment losses (if any). Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

#### **4.11 Related party transactions**

Related parties comprise individuals or enterprises that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

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

#### **4.12 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.

#### **4.13 Foreign currencies**

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

Transactions in foreign currencies are translated into Baht at the exchange rate 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.

#### **4.14 Impairment of assets**

At the end of each reporting period, the Company and its subsidiaries perform 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. The Company and its subsidiaries also carry out annual impairment reviews in respect of goodwill. 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 and its subsidiaries 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.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

#### **4.15 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, a subsidiary and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and the subsidiary. 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.

###### *Defined benefit plans*

The Company and its subsidiaries have obligations in respect of the severance payments they 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.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

#### **4.16 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.

#### **4.17 Provisions**

Provisions are recognised when the Company and its subsidiaries have 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.

#### **4.18 Provision for mine reclamation and decommissioning costs**

The subsidiaries recognise a provision for mine reclamation and decommissioning costs where an obligation exists. The estimated amount of the eventual costs relating to the site restoration and reclamation is discounted to its present value. Such costs are included in profit or loss based on the unit-of-production method on the total estimated reclamation and decommissioning costs over the total proven reserves.

#### **4.19 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### *Current tax*

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### *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 and its subsidiaries recognise 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 and its subsidiaries review and reduce 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 and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### **4.20 Derivatives**

##### **Forward exchange contracts**

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the end of reporting period. Unrecognised gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

#### **4.21 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

## **5. Significant accounting judgements and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

### **Coal reserve estimates**

The subsidiaries determine coal reserve based on best estimate of product that can be economically extracted from the relevant mining area. Such determination is made based on various assumptions including a range of geological, technical and economic factors, quantities, production techniques, stripping ratios, production costs, transport costs, coal prices and exchange rates.

### **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.

### **Allowance for impairment of investments**

The Company treats investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement of the management.

## **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 estimate 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 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.

## **Goodwill**

The initial recognition and measurement of goodwill, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

## **Tax refundable**

The estimated claim for value added tax refund is determined in a net basis between value added tax input and output. The subsidiaries recognise overpayment of value added tax because they generated revenue mostly from export sales which are subject to value added tax at a 0% rate.

The estimated claim for income tax refund is measured at the amount expected to be recovered from tax authority which is the excess of prepaid corporate income tax over the corporate income tax expense during the respective fiscal year. The corporate income tax expense is determined based on the estimated taxable income computed using prevailing tax rates.

The management needs to make judgement which the recoverability of the estimated claims for taxes refund is dependent on the examination by tax authority which gives rise to the complexity and uncertainty exist with respect the interpretation of tax regulations.

## **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.

## Provision for mine reclamation and decommissioning costs

The majority of the decommissioning and reclamation costs is incurred at the end of a mine's life. In determining a provision for such costs, the management needs to make judgement regarding the expected future costs to be incurred, the timing of these expected future costs, largely dependent on the life of the mine, and the estimated future level of inflation.

## 6. Related party transactions

During the years, 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)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Transactions with subsidiaries</u>				
(eliminated from the consolidated financial statements)				
Dividend income	-	-	191,925	196,623
Commission and marketing service income	-	-	147,780	167,115
Service income	-	-	33,791	46,328
Purchase of coal	-	-	246,676	-
<u>Transactions with major shareholder</u>				
Sales of coal	1,202,997	1,581,399	1,202,997	1,581,399
<u>Transactions with associated company</u>				
Purchase of coal	748,364	945,238	748,364	945,238
Freight charge	141,280	180,354	141,280	180,354
Dividend income	-	-	34,694	33,490

Transfer 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
Service income	Rate comparable paid to third parties
Dividend income	At the declared rate
Freight charge	Price comparable to freight charges paid to third parties

As at 31 December 2016 and 2015, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b><u>Trade and other receivables - related parties</u></b>				
<b>(Note 9)</b>				
Major shareholder	145,436	126,631	145,436	126,631
Subsidiaries	-	-	10,329	89,258
Total trade and other receivables - related parties	<u>145,436</u>	<u>126,631</u>	<u>155,765</u>	<u>215,889</u>
<b><u>Advance payments for goods - related parties</u></b>				
<b>(Note 11)</b>				
Subsidiary company	-	-	89,147	-
Total advance payment for goods - related parties	<u>-</u>	<u>-</u>	<u>89,147</u>	<u>-</u>
<b><u>Trade and other payables - related parties</u></b>				
<b>(Note 20)</b>				
Subsidiary company	-	-	94,283	-
Associated company	7,643	7,429	7,643	7,429
Total trade and other payables - related parties	<u>7,643</u>	<u>7,429</u>	<u>101,926</u>	<u>7,429</u>

**Directors and management's benefits**

During the years ended 31 December 2016 and 2015, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	140,384	175,963	39,522	62,360
Post-employment benefits	14,260	34,399	1,013	1,404
Total	<u>154,644</u>	<u>210,362</u>	<u>40,535</u>	<u>63,764</u>

## 7. Cash and cash equivalents/Restricted bank deposits

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash	178	174	40	40
Bank deposits	726,601	688,269	32,462	11,846
Investments in bill of exchange	50,000	50,000	50,000	50,000
Total	776,779	738,443	82,502	61,886
Less: Restricted bank deposits	(78,609)	(78,297)	-	-
Total	698,170	660,146	82,502	61,886

As at 31 December 2016, bank deposits in saving accounts, fixed deposits and short-term investments carried interests between 0.10 and 7.50 percent per annum (2015: between 0.10 and 7.50 percent per annum).

As at 31 December 2016, the overseas subsidiaries have restricted bank deposits of USD 2.2 million or approximately Baht 78.6 million (2015: USD 2.2 million or approximately Baht 78.3 million) to secure bank guarantees issued by banks on behalf of the subsidiaries as discussed in Note 35.5.

## 8. Current investments

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Investments in trading securities - fair value	232,806	500,794	229,525	500,015
Fixed deposit	150,000	100,000	150,000	100,000
Investments in bills of exchange	250,000	250,000	250,000	250,000
Total	632,806	850,794	629,525	850,015

During the year 2016, the Company and its subsidiary recognised gains on the sales of trading securities amounting to Baht 4.7 million (the Company only: Baht 4.5 million) (2015: Baht 7.7 million and the Company only: Baht 7.4 million) and, as at 31 December 2016, the Company and its subsidiary recognised gain on valuation of trading securities amounting to Baht 1.2 million (the Company only: Baht 1.2 million) in profit or loss (2015: Baht 0.3 million and the Company only: Baht 0.3 million).

As at 31 December 2016, the Company had current investments in the form of fixed deposit and bill of exchange amounting to Baht 400 million (2015: Baht 350 million) carried interests between 1.5 and 1.7 percent per annum (2015: between 2.0 and 2.3 percent per annum) and due for redemption during January to August 2017.

## 9. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b><u>Trade receivables - related parties</u></b>				
<b>Age on the basis of due dates</b>				
Not yet due	145,436	126,631	151,170	144,441
Past due				
Up to 3 months	-	-	2,389	28,971
Over 3 months to 6 months	-	-	-	18,197
Total trade receivables - related parties	<u>145,436</u>	<u>126,631</u>	<u>153,559</u>	<u>191,609</u>
<b><u>Trade receivables - unrelated parties</u></b>				
<b>Age on the basis of due dates</b>				
Not yet due	457,842	675,925	45,063	26,012
Past due				
Up to 3 months	72	-	72	-
Over 3 months to 6 months	72	-	72	-
Over 12 months	-	4,048	-	-
Total trade receivables - unrelated parties	<u>457,626</u>	<u>679,973</u>	<u>45,207</u>	<u>26,012</u>
Less: Allowance for doubtful debt	<u>(144)</u>	<u>-</u>	<u>(144)</u>	<u>-</u>
Total trade receivable - unrelated parties	<u>457,482</u>	<u>-</u>	<u>45,063</u>	<u>-</u>
Total trade receivables, net	<u>602,918</u>	<u>806,604</u>	<u>198,622</u>	<u>217,621</u>
<b><u>Other receivables</u></b>				
Other receivables - related parties	-	-	2,206	24,280
Other receivables - unrelated parties	11,390	2,505	2	66
Advances	416	955	412	955
Interest receivable	1,831	2,254	1,784	2,252
Total other receivables	<u>13,637</u>	<u>5,714</u>	<u>4,404</u>	<u>27,553</u>
Total trade and other receivables, net	<u>616,555</u>	<u>812,318</u>	<u>203,026</u>	<u>245,174</u>

The overseas subsidiary has pledged its accounts receivable to secure credit facilities from the financial institutions. As at 31 December 2016, the balance of accounts receivable totaling Rupiah 19,210 million or approximately Baht 51.2 million (2015: Rupiah 37,601 million or approximately Baht 98.4 million) were placed to secure such credit facilities.

## 10. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Coal and work in process	329,190	327,807	(4,022)	-	325,168	327,807
Finished goods - Ethanol	9,026	15,618	-	-	9,026	15,618
Work in process - Ethanol	17,220	16,789	-	-	17,220	16,789
Raw materials	90,804	95,424	-	-	90,804	95,424
Supplies	12,304	13,406	-	-	12,304	13,406
Spare parts	5,864	9,101	-	-	5,864	9,101
<b>Total</b>	<b>464,408</b>	<b>478,145</b>	<b>(4,022)</b>	<b>-</b>	<b>460,386</b>	<b>478,145</b>

(Unit: Thousand Baht)

	Separated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Coal	228,407	96,138	-	-	228,407	96,138
<b>Total</b>	<b>228,407</b>	<b>96,138</b>	<b>-</b>	<b>-</b>	<b>228,407</b>	<b>96,138</b>

During the current year, the subsidiary company reduced cost of inventories by Baht 4.0 million, to reflect the net realisable value. This was included in cost of sales. (2015: reversed the write-down to cost of inventories by Baht 20.7 million, and reduced the amount of inventories recognised as expenses during the year).

## 11. Advance payments for goods

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Advance payments for goods - related parties	-	-	89,147	-
Advance payments for goods - unrelated parties	585,797	598,525	-	-
<b>Total advance payments for goods</b>	<b>585,797</b>	<b>598,525</b>	<b>89,147</b>	<b>-</b>

The local subsidiary 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 2016, the subsidiary had outstanding advance payments for purchase of molasses and cassava chips amounting to Baht 543.6 million (2015: Baht 578.1 million).



## 12. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid up capital		Shareholding percentage		Cost		Dividend received for the years ended 31 December	
	<u>2016</u>	<u>2015</u>	<u>2016</u> (%)	<u>2015</u> (%)	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Local subsidiary</b>								
Lanna Power Generation Company Limited	Baht 2.5 million	-	100.00	-	2,500	-	-	-
Thai Agro Energy Public Co., Ltd.	Baht 1,000 million	Baht 1,000 million	51.00	51.00	510,000	510,000	76,500	76,500
<b>Overseas subsidiaries</b>								
PT. Lanna Mining Services (Incorporated in Indonesia)	USD 2.1 million	USD 2.1 million	99.95	99.95	70,889	70,889	-	-
PT. Singlurus Pratama (Incorporated in Indonesia)	Rp 7,950 million	Rp 7,950 million	65.00	65.00	18,626	18,626	-	-
PT. Lanna Harita Indonesia (Incorporated in Indonesia)	USD 8 million	USD 8 million	55.00	55.00	155,023	155,023	115,425	120,123
Total					<u>757,038</u>	<u>754,538</u>	<u>191,925</u>	<u>196,623</u>

## **Local subsidiary**

### Lanna Power Generation Company Limited

On 20 June 2016, the meeting of the Company's Board of Directors passed a resolution to establish Lanna Power Generation Company Limited, a new subsidiary. The subsidiary registered its establishment with the Ministry of Commerce on 7 July 2016 with registered share capital of Baht 10 million (2,000,000 ordinary shares of Baht 5 each), being 25 percent of issued and paid up capital of Baht 2.5 million, in which the Company holds 100 percent interest. On 4 July 2016, the Company paid for share subscription of Baht 2.5 million. The subsidiary is principally engaged in the investment business and power generation and distribution services in domestic and overseas countries. Its registered address is at 888/98 Ploenchit Road, Lumpini, Pathumwan, Bangkok.

## **Overseas subsidiaries**

The Company has 3 overseas subsidiaries in which the Company has shareholding percentage between 55.00% and 99.95% and, as at 31 December 2016, such subsidiaries had unappropriated retained earnings of the Company's portion totaling USD 35.7 million or approximately Baht 1,188.4 million (2015: USD 37.6 million or approximately Baht 1,256.0 million). The Group may have obligations regarding withholding tax deducted at source in Indonesia when the subsidiaries pay dividends from such amount in the future.

12.2 Details of investments in subsidiaries that have material non-controlling interests.

(Unit: Million Baht)

Company's name	Proportion of equity interest held by non-controlling interests		Accumulated balance of non-controlling interests		Profit/loss allocated to non-controlling interests during the year		Other comprehensive income allocated to non-controlling interests during the year		Translation adjustment allocated to non-controlling interests during the year		Dividend paid to non- controlling interests during the year	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(%)	(%)										
Thai Agro Energy Public Co., Ltd.	49.00	49.00	847	834	87	120	-	-	-	-	(74)	(74)
PT. Singlurus Pratama	35.00	35.00	329	380	(45)	(58)	(2)	(1)	(4)	42	-	-
PT. Lanna Harita Indonesia	45.00	45.00	520	518	100	87	-	2	(4)	46	(94)	(98)

12.3 Summarised financial information that based on amounts before inter-company elimination about subsidiaries that have material non-controlling

Summarised information about financial position

(Unit: Million Baht)

	Thai Agro Energy		PT. Lanna			
	Public Co., Ltd.		PT. Singlurus Pratama		Harita Indonesia	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current assets	905	948	526	894	1,323	1,318
Non-current assets	2,320	2,293	1,264	996	426	451
Current liabilities	(1,370)	(1,235)	(267)	(478)	(393)	(431)
Non-current liabilities	(123)	(303)	(373)	(118)	(202)	(184)

Summarised information about comprehensive income

(Unit: Million Baht)

For the year ended 31 December

	Thai Agro Energy		PT. Lanna			
	Public Co., Ltd.		PT. Singlurus Pratama		Harita Indonesia	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue	2,418	2,602	1,641	2,472	3,403	3,284
Profit (loss)	178	244	(129)	(167)	221	192
Other comprehensive income	-	-	(5)	(2)	(1)	5
Total comprehensive income	178	244	(134)	(169)	220	197

Summarised information about cash flow

(Unit: Million Baht)

For the year ended 31 December

	Thai Agro Energy		PT. Lanna Harita			
	Public Co., Ltd.		PT. Singlurus Pratama		Indonesia	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash flow from operating activities	461	356	466	510	412	563
Cash flow from investing activities	(122)	(39)	(452)	(279)	(164)	(237)
Cash flow from financing activities	(311)	(330)	(27)	(185)	(215)	(231)
Net increase (decrease) in cash and cash equivalents	28	(13)	(13)	46	33	95

### 13. Investment in associated company

#### 13.1 Detail of associated company

(Unit: Thousand Baht)

Company's name	Nature of Business	Paid up capital		Shareholding percentage		Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015	Carrying amounts based on equity method		Cost	
				(%)	(%)	2016	2015	2016	2015
United Bulk Shipping Pte. Ltd. (Incorporated in Singapore)	Shipping business and coal distribution	SGD 0.1 million	SGD 0.1 million	49	49	25,221	42,217	891	891
Total						25,221	42,217	891	891

### 13.2 Share of comprehensive income and dividend received

During the years, the Company recognised its share of profit from investment in associated company in the consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

Company's name	Consolidated financial statements				Separate financial statements	
	Share of profit from investment in associate for the years ended 31 December		Share of other comprehensive income from investment in associate for the years ended 31 December		Dividend received for the years ended 31 December	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
United Bulk Shipping Pte. Ltd.	17,698	25,457	-	-	34,694	33,490

Share of profit from United Bulk Shipping Pte. Ltd. for the years ended 31 December 2016 and 2015 had been calculated from the financial statements prepared by the management of the associated company and not being audited by its auditor.

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

### 13.3 Summarised financial information about material associates

#### Summarised information about financial position

(Unit: Million Baht)

	United Bulk Shipping Pte. Ltd.	
	<u>2016</u>	<u>2015</u>
Current assets	75	240
Current liabilities	(17)	(146)
Net assets	<u>58</u>	<u>94</u>
Carrying amounts of associates based on equity method	<u>25</u>	<u>42</u>

#### Summarised information about comprehensive income

(Unit: Million Baht)

	For the years ended 31 December	
	United Bulk Shipping Pte. Ltd.	
	<u>2016</u>	<u>2015</u>
Revenue	901	1,224
Profit	36	52
Other comprehensive income	-	-
Total comprehensive income	36	52

#### 14. Investment properties

The net book value of investment properties as at 31 December 2016 and 2015 is presented below.

	(Unit: Thousand Baht)	
	<u>Consolidated and Separate financial statements</u>	
	<u>2016</u>	<u>2015</u>
Cost	35,193	37,496
Less: Accumulated depreciation	(1,200)	(1,200)
Less: Allowance for diminution in value	(1,570)	(1,570)
Net book value	<u>32,423</u>	<u>34,726</u>

A reconciliation of the net book value of investment properties for the years 2016 and 2015 is presented below.

	(Unit: Thousand Baht)	
	<u>Consolidated and Separate financial statements</u>	
	<u>2016</u>	<u>2015</u>
Net book value at beginning of year	34,726	34,726
Disposal - net book value on disposal date	(2,303)	-
Net book value at end of year	<u>32,423</u>	<u>34,726</u>

As at 31 December 2016, the Company had investment properties, which mainly are plots of land of Paka mine, with an aggregate net book value of approximately Baht 32.4 million (2015: Baht 34.7 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 impairment of such assets of Baht 1.6 million (2015: Baht 1.6 million).

The fair value of the investment properties as at 31 December 2016 is Baht 50.2 million (2015: Baht 54.8 million), which is determined based on the price appraised by the Department of Land.



## 15. Property, plant and equipment

### Consolidated financial statements

(Unit: Thousand Baht)

	Land	Ore	Land improvement	Building and amenities	Machinery and equipment	Office equipment	Vehicles	Assets under construction and installation	Total
<b>Cost</b>									
1 January 2015	356,338	65,045	116,682	683,972	2,390,869	99,919	59,473	709,475	4,481,773
Additions	2,292	-	-	233	8,297	4,133	1,623	26,832	43,410
Disposals/write-off	-	-	-	(889)	(3,115)	(11,022)	(4,400)	-	(19,426)
Transfer in (transfer out)	-	-	-	20,194	213,784	-	-	(233,978)	-
Translation adjustment	1,645	-	1,649	37,533	44,996	4,785	1,734	11,359	103,701
31 December 2015	360,275	65,045	118,331	741,043	2,654,831	97,815	58,430	513,688	4,609,458
Additions	12,486	-	19,945	391,487	7,079	3,892	5,091	132,292	572,272
Disposals/write-off	-	-	-	(1,302)	(2,082)	(3,111)	(11,786)	(125)	(18,406)
Transfer in (transfer out)	-	-	-	-	101,996	767	-	(102,763)	-
Translation adjustment	(136)	-	(136)	(3,236)	(3,712)	(350)	(143)	(827)	(8,540)
31 December 2016	372,625	65,045	138,140	1,127,992	2,758,112	99,013	51,592	542,265	5,154,784

(Unit: Thousand Baht)

	Land	Ore	Land improvement	Building and amenities	Machinery and equipment	Office equipment	Vehicles	Assets under construction and installation	Total
<b>Accumulated depreciation</b>									
1 January 2015	-	65,045	32,528	110,929	760,091	81,694	43,125	-	1,093,412
Depreciation for the year	-	-	3,463	53,443	140,547	9,642	4,795	-	211,890
Accumulated depreciation of the disposed and written-off assets	-	-	-	(372)	(2,888)	(9,294)	(4,396)	-	(16,950)
Translation adjustment	-	-	1,649	5,149	20,161	3,958	818	-	31,735
31 December 2015	-	65,045	37,640	169,149	917,911	86,000	44,342	-	1,320,087
Depreciation for the year	-	-	3,583	63,079	141,785	6,149	5,033	-	219,629
Accumulated depreciation of the disposed and written-off assets	-	-	-	(752)	(2,046)	(3,063)	(11,786)	-	(17,647)
Translation adjustment	-	-	(136)	(723)	(1,892)	(325)	(85)	-	(3,161)
31 December 2016	-	65,045	41,087	230,753	1,055,758	88,761	37,504	-	1,518,908
<b>Net book value</b>									
31 December 2015	360,275	-	80,691	571,894	1,736,920	11,815	14,088	513,688	3,289,371
31 December 2016	372,625	-	97,053	897,239	1,702,354	10,252	14,088	542,265	3,635,876
<b>Depreciation for the year</b>									
2015 (Baht 192 million included in manufacturing cost, and the balance in selling and administrative expenses)									211,890
2016 (Baht 181 million included in manufacturing cost, and the balance in selling and administrative expenses)									219,629

## Separate financial statements

(Unit: Thousand Baht)

	Land	Ore	Land improvement	Building and amenities	Machinery and equipment	Office equipment	Vehicles	Assets under construction and installation	Total
<b>Cost</b>									
1 January 2015	180,000	65,045	42,510	31,810	94,220	27,562	10,849	161	452,157
Additions	-	-	-	-	-	1,962	-	323	2,285
Disposal/write-off	-	-	-	-	(75)	(2,541)	(2)	-	(2,618)
Transfer in (transfer out)	-	-	-	178	-	-	-	(178)	-
31 December 2015	180,000	65,045	42,510	31,988	94,145	26,983	10,847	306	451,824
Additions	-	-	19,945	-	1,056	1,544	-	-	22,545
Disposal/write-off	-	-	-	-	-	(674)	(8,024)	(125)	(8,823)
Transfer in (transfer out)	-	-	-	-	-	181	-	(181)	-
31 December 2016	180,000	65,045	62,455	31,988	95,201	28,034	2,823	-	465,546
<b>Accumulated depreciation</b>									
1 January 2015	-	65,045	15,141	1,933	66,432	22,212	10,843	-	181,606
Depreciation for the year	-	-	3,463	1,594	2,841	2,580	5	-	10,483
Accumulated depreciation of the disposed and written-off assets	-	-	-	-	(75)	(2,534)	(2)	-	(2,611)
31 December 2015	-	65,045	18,604	3,527	69,198	22,258	10,846	-	189,478
Depreciation for the year	-	-	3,583	1,626	2,568	2,348	1	-	10,126
Accumulated depreciation of the disposed assets/write-off	-	-	-	-	-	(631)	(8,024)	-	(8,655)
31 December 2016	-	65,045	22,187	5,153	71,766	23,975	2,823	-	190,949
<b>Net book value</b>									
31 December 2015	180,000	-	23,906	28,461	24,947	4,725	1	306	262,346
31 December 2016	180,000	-	40,268	26,835	23,435	4,059	-	-	274,597
<b>Depreciation for the year</b>									
2015 (included in selling and administrative expenses)									10,483
2016 (included in selling and administrative expenses)									10,126

The subsidiary has mortgaged part of its land and construction thereon and machinery with net book value as at 31 December 2016 amounting to approximately Baht 1,108.0 million (2015: Baht 1,143.4 million) as collateral for short-term and long-term loans and credit facilities granted by a commercial bank as discussed in Note 19 and Note 22.

As at 31 December 2016, subsidiaries had vehicles under finance lease agreements with net book values amounting to Baht 8.3 million (2015: Baht 5.5 million) and hauling road and special terminal under capital lease agreement with net book values amounting to Baht 381.6 million.

As at 31 December 2016, the Company and subsidiaries had certain plant and equipment which have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to Baht 266 million (2015: Baht 275 million) (the Company only: Baht 95 million (2015: Baht 99 million)).

## **16. Goodwill**

The Company has determined recoverable amounts of its cash generating units (CGUs) based on value in use calculation using cash flow projections from financial budgets approved by the management.

Key assumptions used in value in use calculations summarise as follows:

	(Unit: Percent per annum)
Terminal growth rate	2.0
Discount rate	12.0

The management has considered the growth rate from policy, business plan, expected overall market growth rate, and discount rate which are the rates before income tax which relate to the specific risk in that operating segment.

The management has considered and believed that no impairment was required for goodwill.

## 17. Intangible assets

Details of intangible assets which are computer software are as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	<u>                    </u>	<u>                    </u>
<b>Cost</b>		
1 January 2015	14,393	4,624
Additions	1,849	111
Write-off	(485)	(216)
Translation adjustment	146	-
31 December 2015	<u>15,903</u>	<u>4,519</u>
Additions	2,720	2,533
Write-off	(429)	-
Translation adjustment	(27)	-
31 December 2016	<u>18,167</u>	<u>7,052</u>
<b>Accumulated amortisation</b>		
1 January 2015	9,488	3,569
Amortisation for the year	2,179	444
Accumulated amortisation of the written-off assets	(485)	(216)
Translation adjustment	(26)	-
31 December 2015	<u>11,156</u>	<u>3,797</u>
Amortisation for the year	2,349	667
Accumulated amortisation of the written-off assets	(428)	-
Translation adjustment	(19)	-
31 December 2016	<u>13,058</u>	<u>4,464</u>
<b>Net book value</b>		
31 December 2015	<u>4,747</u>	<u>722</u>
31 December 2016	<u>5,109</u>	<u>2,588</u>

## 18. Other non-current assets

Other non-current assets have been shown net of related accumulated amortisation as at 31 December 2016 and 2015 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Deferred expenses - Indonesia				
coal mine project	344,670	402,863	-	-
Deferred stripping costs	162,584	208,192	-	-
Deferred transferred service fees				
according to contract	9,485	19,604	9,485	19,604
Others	62,686	23,097	3,729	4,591
Total other non-current assets	<u>579,425</u>	<u>653,756</u>	<u>13,214</u>	<u>24,195</u>
Amortisation expenses				
for the year	<u>364,657</u>	<u>485,452</u>	<u>10,119</u>	<u>14,315</u>

### Deferred expenses - Indonesia coal mine project

A reconciliation of the net book value of deferred expenses - Indonesia coal mine project for the years 2016 and 2015 is presented below.

	(Unit: Thousand Baht)		
	Consolidated financial statements		
	Exploration and evaluation assets	Deferred exploration and development costs	Total
As at 1 January 2015	36,201	365,252	401,453
Increase during the year	-	35,460	35,460
Amortisation for the year	-	(72,116)	(72,116)
Translation adjustment	3,433	34,633	38,066
As at 31 December 2015	39,634	363,229	402,863
Increase during the year	-	15	15
Amortisation for the year	-	(55,329)	(55,329)
Translation adjustment	(283)	(2,596)	(2,879)
As at 31 December 2016	<u>39,351</u>	<u>305,319</u>	<u>344,670</u>

## Deferred stripping costs

A reconciliation of the net book value of deferred stripping costs for the years 2016 and 2015 is presented below.

	(Unit: Thousand Baht)	
	Consolidated	
	financial statements	
	<u>2016</u>	<u>2015</u>
Net book value at beginning of year	208,192	134,419
Increase during the year	255,089	460,110
Write-off during the year	-	(61)
Amortisation for the year	(299,209)	(399,021)
Translation adjustment	(1,488)	12,745
Net book value at end of year	<u>162,584</u>	<u>208,192</u>

## Agreement of transferring service fees provided by PT. Indocoal Pratama Jaya

On 6 March 2008, the Company and PT. Indocoal Pratama Jaya (“IPJ”) entered into agreement of transferring service fees for service provided to the concession area of PT. Singlurus Pratama (SGP) for the first 15 million tons of coal produced and distributed at a price of USD 0.75 per ton, in accordance with the Service Agreement, which stipulate that 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 transfer such fees to the Company at a negotiated price of USD 3.75 million, or equivalent to Baht 118.3 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.

## 19. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Consolidated financial statements	
	<u>2016</u>	<u>2015</u>
Promissory notes	757,266	862,957
Trust receipts	229,371	101,977
Short-term loans from financial institution	44,913	72,030
<b>Total</b>	<b><u>1,031,550</u></b>	<b><u>1,036,964</u></b>

As at 31 December 2016, the local subsidiary had short-term loans from financial institution in the form of promissory notes of Baht 757.3 million (2015: Baht 863.0 million), which bear interests between 2.85 and 3.1 percent per annum (2015: between 3.1 and 3.3 percent per annum). The loan is secured by the mortgage of part of the subsidiary's land and construction thereon and machinery as discussed in Note 15.

Two subsidiaries entered into the credit facilities agreements with two financial institutions of Baht 500 million and USD 7.9 million. As at 31 December 2016, the subsidiaries had outstanding balance of trust receipts of Baht 229.4 million (2015: Baht 102.0 million), with interest rates of 2.85 percent per annum (2015: 3.1 percent per annum).

As at 31 December 2016, an oversea subsidiary had short-term loan from financial institution of USD 1.3 million or approximately Baht 44.9 million, with interest rate of 3.08 percent per annum. (2015: USD 2.0 million or approximately Baht 72.0 million, with interest rate of 3.08 percent per annum).

## 20. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Trade payables - related parties	7,643	7,429	101,926	7,429
Trade payables - unrelated parties	392,622	344,133	32,941	40,824
Other payables - unrelated parties	81,121	59,169	1,540	1,868
<b>Total trade and other payables</b>	<b><u>481,386</u></b>	<b><u>410,731</u></b>	<b><u>136,407</u></b>	<b><u>50,121</u></b>



## 21. Liabilities under finance lease agreements

Details of liabilities under finance lease agreements of a subsidiary as at 31 December 2016 and 2015 are as follows:

	(Unit: Thousand Baht)	
	Consolidated	
	financial statements	
	<u>2016</u>	<u>2015</u>
Liabilities under finance lease agreements	7,560	6,580
Less: Deferred interest expenses	(799)	(1,039)
Total	6,761	5,541
Less: Current portion	(2,804)	(1,449)
Liabilities under finance lease agreements - net of current portion	<u>(3,957)</u>	<u>4,092</u>

The subsidiary 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 3 years and 5 years.

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

	(Unit: Thousand Baht)		
	As at 31 December 2016		
	Less than		
	<u>1 year</u>	<u>1-5 years</u>	<u>Total</u>
Future minimum lease payments	3,225	4,335	7,560
Deferred interest expenses	(421)	(378)	(799)
Present value of future minimum lease payments	<u>2,804</u>	<u>3,957</u>	<u>6,761</u>

  

	(Unit: Thousand Baht)		
	As at 31 December 2015		
	Less than		
	<u>1 year</u>	<u>1-5 years</u>	<u>Total</u>
Future minimum lease payments	1,883	4,697	6,580
Deferred interest expenses	(434)	(605)	(1,039)
Present value of future minimum lease payments	<u>1,449</u>	<u>4,092</u>	<u>5,541</u>

## 22. Long-term loan from financial institution

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	<u>2016</u>	<u>2015</u>
Long-term loan from financial institution	297,757	477,757
Less: Current portion	<u>(180,000)</u>	<u>(180,000)</u>
Long-term loan from financial institution - net of current portion	<u>117,757</u>	<u>297,757</u>

Movements in the long-term loan from financial institution during the year ended 31 December 2016 are summarised below.

	(Unit: Thousand Baht)
Balance as at 1 January 2016	477,757
Less: Repayment during the year	<u>(180,000)</u>
Balance as at 31 December 2016	<u>297,757</u>

On 6 November 2013, the local subsidiary entered into long-term loan agreement with a local bank, obtaining loan facilities of Baht 845 million, for the debt refinance with another local bank. Then, on 18 December 2013, the subsidiary 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 installment, and remaining balance is repayable in the tenth installment. The repayment period is from June 2014 to December 2018. The loan is secured by the mortgage of a part of the subsidiary's land and construction thereon and machinery as discussed in Note 15.

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 subsidiary to maintain certain financial ratio according to the agreement such as debt to equity and debt service coverage ratio at the rate prescribed in the agreement.

As at 31 December 2016 and 2015, the subsidiary could maintain certain financial ratios as specified in the long-term loan agreement.

## 23. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire from the Company and its subsidiaries, was as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Provision for long-term employee benefits at beginning of year</b>	151,254	167,435	24,517	27,484
Included in profit or loss:				
Current service cost	22,151	20,833	1,752	919
Interest cost	12,617	11,850	951	620
Past service costs	(2,046)	(20,152)	-	-
Included in other comprehensive income:				
Actuarial loss arising from				
Demographic assumptions changes	-	2,405	-	2,996
Financial assumptions changes	10,315	533	-	1,493
Experience adjustments	(1,656)	155	-	2,796
Benefits paid during the year	(12,958)	(32,316)	-	(11,791)
Translation adjustment	7,033	511	-	-
<b>Provision for long-term employee benefits at end of year</b>	<u>186,710</u>	<u>151,254</u>	<u>27,220</u>	<u>24,517</u>

Line items in profit or loss under which long-term employee benefit expenses are recognised are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cost of sales	454	213	-	-
Selling and administrative expenses	32,268	12,318	2,703	1,539
Total expenses recognised in profit or loss	<u>32,722</u>	<u>12,531</u>	<u>2,703</u>	<u>1,539</u>

The Company and its subsidiaries expect to pay Baht 14.6 million of long-term employee benefits during the next year (Separate financial statements: None) (2015: Consolidated financial statements: Baht 14.6 million and Separate financial statements: Baht 14.6 million).

As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is 10 - 20 years (Separate financial statements: 20 years) (2015: 10 - 20 years, separate financial statements: 20 years).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	2.90 - 8.26	2.92 - 9.00	3.62	3.62
Future salary increase rate (depending on age)	5.70 - 8.00	5.00 - 8.00	7.55	7.55

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 and 2015 are summarised below:

(Unit: Thousand Baht)						
As at 31 December 2016						
	Consolidated financial statements				Separate financial statements	
	The group in Thailand		The group in oversea		financial statements	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	0.5%	0.5%	1%	1%	0.5%	0.5%
Discount rate	(1,008)	1,341	(8,161)	9,246	(923)	1,248
Salary increase rate	1,405	(1,078)	9,359	(8,386)	1,168	(913)

  

(Unit: Thousand Baht)						
As at 31 December 2015						
	Consolidated financial statements				Separate financial statements	
	The group in Thailand		The group in oversea		financial statements	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	0.5%	0.5%	1%	1%	0.5%	0.5%
Discount rate	(1,025)	1,301	(9,792)	10,951	(946)	1,215
Salary increase rate	1,240	(980)	11,084	(10,075)	1,168	(992)

## 24. Provision for mine reclamation and decommissioning costs

(Unit: Thousand Baht)

	Consolidated financial statements		
	Provision for		Total
	Provision for mine reclamation	decommissioning costs	
As at 1 January 2015	53,987	30,956	84,943
Increase during the year	48,898	-	48,898
Decrease from actual paid	(27,076)	-	(27,076)
Translation adjustment	(1,302)	(988)	(2,290)
As at 31 December 2015	74,507	29,968	104,475
Increase during the year	27,986	-	27,986
Decrease from actual paid	(24,806)	-	(24,806)
Translation adjustment	1,424	1,310	2,734
As at 31 December 2016	79,111	31,278	110,389

## 25. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside 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 the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

## 26. Provident fund

The Company and a subsidiary and their employees jointly established a provident fund as approved by the Ministry of Finance, in accordance with the Provident Fund Act B.E. 2530. The fund is contributed by employees at a rate of 5% of their basic salaries and the Company and the subsidiary also contribute a certain amount. The fund is managed by the Bank of Ayudhaya Public Co., Ltd. will be paid to employee upon termination in accordance with the fund rules of the Company and its subsidiary. Total contributions of the Company and the subsidiary for the year 2016 amounting to Baht 7.3 million, and the Company only: Baht 4.4 million (2015: Baht 7.9 million, the Company only: Baht 5.4 million).

## 27. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Purchase of finished goods	1,456,254	1,564,103	1,376,873	1,507,575
Raw materials and consumables used	1,880,433	2,011,450	-	-
Changes in inventories of finished goods and work in process (increase) decrease	(60,000)	121,289	(132,269)	66,439
Royalty fee	628,376	739,891	-	-
Freight and transportation of goods expenses	528,515	672,538	93,784	111,612
Coal winning and conveyance expenses	2,262,814	2,563,955	-	-
Depreciation and amortisation expenses	586,635	699,521	20,913	25,242
Salaries, wages and other employee benefits	190,658	181,128	43,719	39,721
Management benefit expenses	154,644	210,362	40,535	63,764
Electricity and fuel expenses	63,184	77,347	5,787	5,950
Repair and maintenance expenses	59,722	83,871	6,303	5,360
Write-off of deferred stripping costs	-	61	-	-
Loss on exchange	-	72,721	-	-

## 28. Income tax

Income tax expenses for the years ended 31 December 2016 and 2015 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Current income tax:</b>				
Current income tax charge	138,586	112,499	28,321	45,028
Withholding tax deducted at source recognised as expenses during the year	8,657	9,009	8,657	9,009
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(20,429)	61,049	(570)	2,483
<b>Income tax expenses reported in the statement of income</b>	<b>126,814</b>	<b>182,557</b>	<b>36,408</b>	<b>56,520</b>

The amount of income tax related to each component of comprehensive income statements for the years ended 31 December 2016 and 2015 are as follow:

(Unit: Thousand Baht)

	For the years ended 31 December			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Deferred tax relating to actuarial loss	2,593	235	-	1,457

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Accounting profit before tax	540,371	640,428	373,659	467,207
Income tax rate	10% - 30%	10% - 30%	20%	20%
Accounting profit before tax multiplied by income tax rate	121,384	140,089	74,732	93,441
Withholding tax deducted at source recognised as expenses during the year	8,657	9,009	8,657	9,009
Effects of:				
Promotional privileges (Note 30)	(28,284)	(38,048)	-	-
Recognition of tax loss carried forward of previous year	(2,880)	-	-	-
Taxable income	-	1,244	-	1,244
Non-deductible expenses	29,014	39,713	652	816
Income not subject to tax	(4,063)	(2,916)	(45,660)	(46,022)
Additional expense deductions allowed	(359)	(182)	(242)	(167)
Taxable withholding tax deducted at source expenses	(1,731)	(1,801)	(1,731)	(1,801)
Others	(26)	1,065	-	-
Total	(8,329)	(925)	(46,981)	(45,930)
Unrecognised tax loss as deferred tax assets	5,450	34,427	-	-
Translation adjustment	(348)	(43)	-	-
Income tax expenses reported in the statement of income	126,814	182,557	36,408	56,520

A reconciliation of the book value of deferred tax assets and deferred tax liabilities for the years ended 31 December 2016 and 2015 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements				Separate financial statements				
	As at 1 January 2016	Recognise to profit or loss	Recognise to other comprehensive income	Translation adjustment	As at 31 December 2016	As at 1 January 2016	Recognise to profit or loss	Recognise to other comprehensive income	As at 31 December 2016
<b>Deferred tax assets</b>									
Provision for long-term employee benefits	42,888	7,717	2,593	(83)	53,115	4,903	541	-	5,444
Accumulated depreciation - ore, plant and equipment	23,920	(1,044)	-	(127)	22,749	13,009	-	-	13,009
Inventories	4,652	(1,505)	-	173	3,320	-	-	-	-
Government grants	4,732	(584)	-	-	4,148	-	-	-	-
Capital lease	-	5,075	-	-	5,075	-	-	-	-
Others	1,422	273	-	-	1,695	314	29	-	343
<b>Total</b>	<b>77,614</b>	<b>9,932</b>	<b>2,593</b>	<b>(37)</b>	<b>90,102</b>	<b>18,226</b>	<b>570</b>	<b>-</b>	<b>18,796</b>
<b>Deferred tax liabilities</b>									
Accumulated amortisation - deferred exploration and development costs and deferred stripping costs	127,198	(10,497)	-	(635)	116,066	-	-	-	-
Accumulated depreciation - machinery	3,421	-	-	-	3,421	-	-	-	-
<b>Total</b>	<b>130,619</b>	<b>(10,497)</b>	<b>-</b>	<b>(635)</b>	<b>119,487</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred tax assets (liabilities), net</b>					<b>(29,385)</b>				<b>18,796</b>
Deferred tax assets					22,011				18,796
Deferred tax liabilities					(51,396)				-
<b>Deferred tax assets (liabilities), net</b>					<b>(29,385)</b>				<b>18,796</b>



(Unit: Thousand Baht)

	Consolidated financial statements					Separate financial statements			
	As at 1 January 2015	Recognise to profit or loss	Recognise to other comprehensive income	Translation adjustment	As at 31 December 2015	As at 1 January 2015	Recognise to profit or loss	Recognise to other comprehensive income	As at 31 December 2015
<b>Deferred tax assets</b>									
Provision for long-term employee benefits	50,781	(11,897)	235	3,769	42,888	5,497	(2,051)	1,457	4,903
Accumulated depreciation - ore, plant and equipment	23,869	(954)	-	1,005	23,920	13,009	-	-	13,009
Inventories	14,903	(11,394)	-	1,143	4,652	-	-	-	-
Tax loss carried forward	9,938	(9,938)	-	-	-	-	-	-	-
Allowance for diminution in inventory value	6,253	(6,361)	-	108	-	-	-	-	-
Government grants	5,986	(1,254)	-	-	4,732	-	-	-	-
Others	783	639	-	-	1,422	746	(432)	-	314
<b>Total</b>	<b>112,513</b>	<b>(41,159)</b>	<b>235</b>	<b>6,025</b>	<b>77,614</b>	<b>19,252</b>	<b>(2,483)</b>	<b>1,457</b>	<b>18,226</b>
<b>Deferred tax liabilities</b>									
Accumulated amortisation - deferred exploration and development costs and deferred stripping costs	97,300	19,890	-	10,008	127,198	-	-	-	-
Accumulated depreciation - machinery	3,421	-	-	-	3,421	-	-	-	-
<b>Total</b>	<b>100,721</b>	<b>19,890</b>	<b>-</b>	<b>10,008</b>	<b>130,619</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred tax assets (liabilities), net</b>					<b>(53,005)</b>				<b>18,226</b>
Deferred tax assets					21,599				18,226
Deferred tax liabilities					(74,604)				-
<b>Deferred tax assets (liabilities), net</b>					<b>(53,005)</b>				<b>18,226</b>

As at 31 December 2016, the subsidiaries has unused tax losses totaling Baht 141.3 million (2015: Baht 115.8 million), on which deferred tax assets have not been recognised as the subsidiaries believe future taxable profits may not be sufficient to allow utilisation of the unused tax losses.

The unused tax loss amounting to Baht 141.3 million will expire by year 2021.

## 29. Other non-current liabilities

As at 31 December 2016, an overseas subsidiary had other long-term liability under capital lease agreement from purchase of the hauling road and special terminal of USD 7.2 million or approximately Baht 258.6 million and portion due within one year is classified as other current liabilities of USD 1.4 million or approximately Baht 50.3 million.

## 30. Promotional privileges

Thai Agro Energy Public Company Limited, a subsidiary, has been granted 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 subsidiary has to comply with certain conditions and restrictions provided for in the promotional certificate.

The subsidiary's operating revenues for the years ended 31 December 2016 and 2015 were domestic sales, which were divided between promoted and non-promoted operations, are summarised below:

	(Unit: Thousand Baht)	
	<u>2016</u>	<u>2015</u>
Revenues from sales		
Promoted operations	1,507,508	1,646,949
Non-promoted operations	907,567	953,374
Total	<u>2,415,075</u>	<u>2,600,323</u>

### 31. Earnings per share

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

The following table sets forth the computation of basic earnings per share:

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Profit attributable to equity holders of the Company (Thousand Baht)	271,453	309,609	337,251	410,687
Weighted average number of ordinary shares (Thousand shares)	525,000	525,000	525,000	525,000
Basic earnings per share (Baht)	0.52	0.59	0.64	0.78

## 32. Dividend paid

Dividends paid by the Company and its subsidiaries for the years ended 31 December 2016 and 2015 are as follows:

### The Company

<u>Dividends</u>	<u>Approved by</u>	<u>Total Dividends</u> (Thousand Baht)	<u>Dividend per share</u> (Baht)	<u>Paid on</u>
<b><u>2016</u></b>				
The interim dividend in respect of operation income for the period from January to June 2016	Board of Directors' meeting on 17 October 2016	183,750	0.35	16 November 2016
Final dividends for 2015	Annual General Meeting of the shareholders on 25 April 2016	210,000	0.40	16 May 2016
Total		<u>393,750</u>	<u>0.75</u>	
<b><u>2015</u></b>				
The interim dividend in respect of operation income for the period from January to June 2015	Board of Directors' meeting on 19 October 2015	183,750	0.35	18 November 2015
Final dividends for 2014	Annual General Meeting of the shareholders on 27 April 2015	210,000	0.40	15 May 2015
Total		<u>393,750</u>	<u>0.75</u>	

In addition, the Annual General Meeting of the shareholders for 2016 approved to set aside a general reserve of Baht 11.1 million (2015: Baht 7.7 million).

## Local subsidiary

### Thai Agro Energy Public Co., Ltd.

Dividends	Approved by	Total Dividends (Thousand Baht)	Dividend per share (Baht)	Paid on
<b><u>2016</u></b>				
The dividend in respect of operation income from BOI promoted operation for the period from July to December 2015	Annual General Meeting of the shareholders on 18 April 2016	50,000	0.05	18 May 2016
The interim dividend in respect of operation income from BOI promoted operation for the period from January to June 2016	Board of Directors' meeting on 18 August 2016	100,000	0.10	16 September 2016
Total		150,000	0.15	
<b><u>2015</u></b>				
The dividend in respect of operation income from BOI promoted operation for the period from July to December 2014	Annual General Meeting of the shareholders on 20 April 2015	50,000	0.05	20 May 2015
The interim dividend in respect of operation income from BOI promoted operation for the period from January to June 2015	Board of Directors' meeting on 20 August 2015	100,000	0.10	18 September 2015
Total		150,000	0.15	

During the year 2016, the Company received dividend income at 51 percent for a total of Baht 76.5 million (2015: Baht 76.5 million).

## Overseas subsidiary

### PT. Lanna Harita Indonesia

Dividends	Approved by	Total dividends (Thousand US Dollar)	Dividend per share (US Dollar)	Paid on
<b><u>2016</u></b>				
The third interim dividend for 2015	Board of Directors' meeting on 15 March 2016	1,200	150	18 March 2016
Final dividends for 2015	Annual General Meeting of the shareholders on 13 June 2016	1,200	150	14 June 2016
The first interim dividend for 2016	Board of Directors' meeting on 14 September 2016	1,200	150	15 September 2016
The second interim dividend for 2016	Board of Directors' meeting on 4 November 2016	2,400	300	11 November 2016
Total		6,000	750	
<b><u>2015</u></b>				
The second interim dividend for 2014	Board of Directors' meeting on 10 March 2015	1,600	200	19 March 2015
Final dividends for 2014	Annual General Meeting of the shareholders on 10 June 2015	2,400	300	18 June 2015
The first interim dividend for 2015	Board of Directors' meeting on 14 September 2015	1,200	150	15 September 2015
The second interim dividend for 2015	Board of Directors' meeting on 2 December 2015	1,200	150	4 December 2015
Total		6,400	800	

During the year 2016, the Company received dividend income at 55 percent for a total of USD 3.3 million or equivalent to Baht 115.4 million. The Company had been withheld the withholding tax deducted at source of Baht 8.7 million (2015: dividend income of USD 3.5 million or equivalent to Baht 120.1 million. The Company had been withheld the withholding tax deducted at source of Baht 9.0 million).

### **33. 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.

For management purposes, the Company and its subsidiaries are organised into business units based on its products and services and have three reportable segments as follows:

1. Domestic coal segment, which purchases and sells of coal
2. Overseas coal segment, which produces and sells of coal
3. Ethanol segment, which produces and sells of ethanol

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets and on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following tables present revenue, profit and total assets information regarding the Company's and its subsidiaries' operating segments for the years ended 31 December 2016 and 2015, respectively.

(Unit: Million Baht)

	For the years ended 31 December											
	Domestic coal business		Overseas coal business		Ethanol business		Total segments		Adjustments and eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue from external customers	1,479	1,850	4,868	5,700	2,415	2,600	8,762	10,150	-	-	8,762	10,150
Inter-segment revenue	182	213	246	-	-	-	428	213	(428)	(213)	-	-
Interest income	9	10	13	10	-	-	22	20	-	-	22	20
Interest expenses	-	-	12	12	38	49	50	61	-	-	50	61
Depreciation and amortisation	21	25	441	553	125	122	587	700	-	-	587	700
Share of profit from investment in associated company accounted for by the equity method	18	25	-	-	-	-	18	25	-	-	18	25
Income tax expenses	36	57	78	110	13	16	127	183	-	-	127	183
<b>Segment profit</b>	<b>385</b>	<b>496</b>	<b>1,685</b>	<b>2,108</b>	<b>303</b>	<b>356</b>	<b>2,373</b>	<b>2,960</b>	<b>(172)</b>	<b>(213)</b>	<b>2,201</b>	<b>2,747</b>
<b>Segment total assets</b>	<b>2,532</b>	<b>2,537</b>	<b>3,711</b>	<b>3,817</b>	<b>3,225</b>	<b>3,241</b>	<b>9,468</b>	<b>9,595</b>	<b>(937)</b>	<b>(816)</b>	<b>8,531</b>	<b>8,779</b>
Investment in associated company accounted for by equity method	25	42	-	-	-	-	25	42	-	-	25	42
Additions (decrease) to non-current assets other than financial instruments and deferred tax assets	(17)	(35)	244	48	27	(85)	254	(72)	-	2	254	(70)



## Geographic information

Revenue from external customers is based on locations of the customers.

	(Unit: Thousand Baht)	
	<u>2016</u>	<u>2015</u>
Revenue from external customers		
Thailand	4,380,852	4,973,995
India	2,727,112	1,938,541
Singapore	-	724,458
Switzerland	-	125,188
Australia	-	272,205
China	114,966	218,751
South Korea	388,016	1,122,026
Others	1,150,608	775,170
Total	<u>8,761,554</u>	<u>10,150,334</u>
Non-current assets (other than financial instruments and deferred tax assets)		
Thailand	2,851,504	2,840,702
Indonesia	1,691,158	1,448,412
Total	<u>4,542,662</u>	<u>4,289,114</u>

## Major customers

For the year 2016, the Company and its subsidiaries have revenue from 3 major customers in amount of Baht 1,203 million and Baht 1,759 million, arising from sales by the overseas coal business and domestic coal business (2015: Baht 1,581 million and Baht 1,388 million derived from 2 major customers, arising from sales by the overseas coal business and domestic coal business).

### 34. Significant contracts and agreements

34.1 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.

34.2 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 February 2009, the subsidiary received the consent from Indonesian government to start the production activities.

34.3 On 20 May 2009, PT. Singlurus Pratama entered into the marketing and technical service agreements with the Company and entered into assistance service agreement with a company in Indonesia. The service fees are charged on the basis and at the rates as stipulated in the agreements.

Subsequently on 29 October 2016, PT. Singlurus Pratama has made the agreement to amend the service fees to the new rates as stipulated in the agreements. This agreement shall be effective retroactively as of 1 August 2016.

## 35. Commitments and contingent liabilities

### 35.1 Capital commitments

As at 31 December 2016, the Company and a subsidiary had capital commitments of Baht 43.4 million relating to the construction of the Company’s jetty and the subsidiary’s Bio Scrubber and Biogas Burner (2015: Baht 33.3 million).

### 35.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of office building space, vehicles and other services. The terms of the agreements are generally between 1 and 5 years. As at 31 December 2016 and 2015, future minimum payment under these lease and service agreements are as follows:

(Unit: Million Baht)

Payable within	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Less than 1 year	22	26	11	9
In over 1 and up to 5 years	31	9	28	3

### 35.3 Long-term service and purchase commitments

- a) The Company and its subsidiaries had commitments under several service agreements in respect of the security service, car maintenance service and other services. The terms of the agreements are generally between 1 and 5 years. As at 31 December 2016 and 2015, future minimum payments under these agreements are as follows:

(Unit: Million Baht)

Payable within	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Less than 1 year	2	2	1	-
In over 1 year and up to 5 years	2	-	2	-

- b) The Company and its subsidiaries had commitments under service agreements regarding the legal consulting, the consulting for mining, environment and safety and other consulting of Baht 9 million (the Company only: Baht 9 million) (2015: Baht 1.4 million and the Company only: Baht 0.9 million).
- c) The Company had commitments under the coal purchase agreement and coal shipping agreement with an overseas company which the coal price and freight rate, coal quality and quantity to purchase are stipulated in the agreement.
- d) The local subsidiary 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 subsidiary shall pay power supply at the rate as stipulated in the agreement.
- e) The 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. In addition, the subsidiary 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 agreements.

### **35.4 Coal supply agreement commitments**

PT. Lanna Harita Indonesia and PT. Singlurus Pratama have coal supply commitments to domestic customers in accordance with the Domestic Market Obligation regulation required by the Indonesian government.

### **35.5 Guarantees**

As at 31 December 2016, the Company and its subsidiaries had bank guarantees of approximately Baht 5 million, Rupiah 34,845 million and USD 0.2 million (the Company only: Baht 0.6 million) (2015: Baht 5.7 million, Rupiah 28,175 million and USD 0.2 million (the Company only: Baht 0.6 million)) issued by banks on behalf of the Company and its subsidiaries in respect of mine reclamation of the overseas subsidiaries to the government, guarantee for coal supply of the overseas subsidiary, guarantee for a local subsidiary's contractual performance under the license for production and distribution of ethanol-for-fuel from the Excise Department and to guarantee contractual performance under the license for using of electric to the Provincial Electricity Authority.

## **36. Litigation**

In September 2011, a subsidiary company was sued by a 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 subsidiary 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 subsidiary 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 subsidiary. However, on 3 December 2014, the subsidiary lodged an appeal with the Appeal Court. On 9 February 2016, the Appeal Court affirmed the judgment of the civil court.

Subsequently, on 7 April 2016, the subsidiary lodged an appeal with the Supreme Court. Presently, the case is under consideration of the Supreme Court. As at 31 December 2016, the subsidiary has not received such payment; therefore, the subsidiary recorded allowance for impairment in advanced paid to that company for a whole amount.

### 37. Fair value hierarchy

As at 31 December 2016, the Company and its subsidiaries had the assets and liabilities that were measured or disclosed at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	Consolidated financial Statements		Separate financial Statements	
	Level 2	Total	Level 2	Total
<b>Asset measured at fair value</b>				
Held for trade investments -				
Equity instruments	232,806	232,806	229,525	229,525
<b>Assets for which fair value are disclosed</b>				
Investment property	50,213	50,213	50,213	50,213

### 38. Financial instruments

#### 38.1 Financial risk management

The Company's and its subsidiaries' 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, investments, trade and other payables, 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 and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentration of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the statements of financial position.

#### ***Interest rate risk***

The Company's and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, and interest bearing short-term and long-term borrowings. However, since most of 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 rates 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)

Consolidated financial statements					
As at 31 December 2016					
	Fixed interest rates within 1 year	Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
<b>Financial assets</b>					
Cash and cash equivalents	342	356	-	698	0.10 - 7.50
Current investments	400	-	233	633	1.50 - 1.70
Trade and other receivables	-	-	617	617	-
	<u>742</u>	<u>356</u>	<u>850</u>	<u>1,948</u>	
<b>Financial liabilities</b>					
Short-term loans from financial institutions	1,032	-	-	1,032	2.85 - 3.10
Trade and other payables	-	-	481	481	-
Long-term loan	-	298	-	298	THBFIX+1.90
	<u>1,032</u>	<u>298</u>	<u>481</u>	<u>1,811</u>	

(Unit: Million Baht)

Consolidated financial statements					
As at 31 December 2015					
	Fixed interest rates within 1 year	Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
<b>Financial assets</b>					
Cash and cash equivalents	212	448	-	660	0.10 - 0.75
Current investments	350	-	501	851	2.00 - 2.30
Trade and other receivables	-	-	812	812	-
	<u>562</u>	<u>448</u>	<u>1,313</u>	<u>2,323</u>	
<b>Financial liabilities</b>					
Short-term loans from financial institutions	1,037	-	-	1,037	3.08 - 3.30
Trade and other payables	-	-	411	411	-
Long-term loan	-	478	-	478	THBFIX+1.85
	<u>1,037</u>	<u>478</u>	<u>411</u>	<u>1,926</u>	

(Unit: Million Baht)

## Separate financial statements

As at 31 December 2016

	Fixed interest rates within 1 year	Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
<b>Financial assets</b>					
Cash and cash equivalents	50	33	-	83	0.10 - 1.40
Current investments	400	-	230	630	1.50 - 1.70
Trade and other receivables	-	-	203	203	-
	<u>450</u>	<u>33</u>	<u>433</u>	<u>916</u>	
<b>Financial liabilities</b>					
Trade and other payables	-	-	136	136	-
	<u>-</u>	<u>-</u>	<u>136</u>	<u>136</u>	

(Unit: Million Baht)

## Separate financial statements

As at 31 December 2015

	Fixed interest rates within 1 year	Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
<b>Financial assets</b>					
Cash and cash equivalents	50	12	-	62	0.10 - 1.80
Current investments	350	-	500	850	2.00 - 2.30
Trade and other receivables	-	-	245	245	-
	<u>400</u>	<u>12</u>	<u>745</u>	<u>1,157</u>	
<b>Financial liabilities</b>					
Trade and other payables	-	-	50	50	-
	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>	

### **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 when they consider appropriate. Generally, the forward contracts mature within one year.

The Company had balances of financial assets and liabilities denominated in foreign currencies as follows:

As at 31 December 2016				
Foreign currency	Financial assets	Financial liabilities	Exchange rate as at 31 December 2016	
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
			<u>Buying rate</u>	<u>Selling rate</u>
US dollar	3.5	2.8	35.6588	36.0025

  

As at 31 December 2015				
Foreign currency	Financial assets	Financial liabilities	Exchange rate as at 31 December 2015	
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
			<u>Buying rate</u>	<u>Selling rate</u>
US dollar	2.5	0.2	35.9233	36.2538

As at 31 December 2016, the Company had buying contract totaling USD 1.5 million at rate of 35.6150 - 35.9550 which expire within January 2017.

### **38.2 Fair values of financial instruments**

Since the majority of the Company's and its subsidiaries' financial instruments are short-term in nature or bear floating interest rates or fixed interest rates which are close to the market rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.



### **39. Capital management**

The primary objective of the Company's and its subsidiaries' capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2016, the Group's debt-to-equity ratio was 0.47:1 (2015: 0.47:1) and the Company's debt-to-equity ratio was 0.09:1 (2015: 0.06:1).

### **40. Approval of financial statements**

These financial statements were authorised for issue by the Company's authorised directors on 24 February 2017.