

Lanna Resources Public Company Limited  
and its subsidiaries  
Report and consolidated financial statements  
31 December 2018

## **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 2018, 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 2018, 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 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.

### **Emphasis of matter**

I draw attention to Note 4 to the financial statements which describes the prior year's adjustment regarding deferred tax liabilities. The Company has therefore restated the consolidated financial statements for the year ended 31 December 2017, presented as comparative information, to reflect this adjustment. My opinion is not modified in respect of this matter.

## **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 how audit procedures respond for 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 judgements 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 2018. 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 2018, the Company recorded goodwill amounting to Baht 186 million, as disclosed in Note 18 to the financial statements. The assessment of goodwill impairment is a significant accounting estimate requiring the management to exercise a high degree of judgement 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.

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

As of 31 December 2018, three overseas subsidiaries recognised estimates of tax refund claims totaling Baht 875.7 million, which consisted of value added tax and corporate income tax amounting to Baht 752.3 million and Baht 123.4 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.

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

*S. Ratananurak* .

Satida Ratananurak

Certified Public Accountant (Thailand) No. 4753

EY Office Limited

Bangkok: 27 February 2019

Lanna Resources Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2018

(Unit: Baht)

		Consolidated financial statements			Separate financial statements	
		31 December	31 December	1 January	31 December	31 December
	Note	2018	2017	2017	2018	2017
			(Restated)			
Assets						
Current assets						
Cash and cash equivalents	8	605,363,504	1,128,070,350	698,170,417	156,032,351	261,622,317
Current investments	9	646,335,462	834,292,459	632,805,833	640,998,655	826,066,447
Trade and other receivables	7, 10	1,089,580,500	1,268,274,483	616,554,847	188,010,704	197,347,488
Inventories	11	369,651,883	392,755,150	460,385,948	136,915,433	184,234,636
Value added tax refundable		785,004,868	606,959,198	805,566,404	-	9,760,912
Prepaid income tax		132,955,126	25,329,190	131,525,167	-	-
Advance payments for goods	7, 12	660,045,477	56,889,979	585,797,067	108,113,646	60,272,314
Other current financial assets		30,315,788	91,467,273	35,024,129	2,009,028	2,307,522
Total current assets		4,319,252,608	4,404,038,082	3,965,829,812	1,232,079,817	1,541,611,636
Non-current assets						
Restricted bank deposits	8	105,065,446	86,446,953	78,608,521	-	-
Investments in subsidiaries	13	-	-	-	764,538,181	764,538,181
Investment in associated company	14	23,879,117	28,073,207	25,221,109	890,679	890,679
Advance payment for share subscription	15	241,154,424	-	-	241,154,424	-
Investment properties	16	32,422,689	32,422,689	32,422,689	32,422,689	32,422,689
Property, plant and equipment	17	3,971,990,789	3,547,727,135	3,635,875,583	312,926,170	295,605,947
Goodwill	18	185,999,788	185,999,788	185,999,788	-	-
Intangible assets	19	174,172,174	4,985,379	5,108,820	171,496,192	3,100,776
Deferred tax assets	32	22,576,722	22,876,571	22,010,866	19,307,716	19,263,908
Other non-current assets	20	569,201,449	462,028,242	579,425,002	3,822,052	3,739,570
Total non-current assets		5,326,462,598	4,370,559,964	4,564,672,378	1,546,558,103	1,119,561,750
Total assets		9,645,715,206	8,774,598,046	8,530,502,190	2,778,637,920	2,661,173,386

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 2018

(Unit: Baht)

		Consolidated financial statements			Separate financial statements	
		31 December	31 December	1 January	31 December	31 December
	Note	2018	2017	2017	2018	2017
			(Restated)			
Liabilities and shareholders' equity						
Current liabilities						
Short-term loans from financial institutions						
	21	1,370,413,479	899,068,030	1,031,549,635	-	-
Trade and other payables	7, 22	616,864,250	557,020,822	481,386,566	45,415,942	44,931,302
Current portion of liabilities under finance lease agreements						
	23	2,094,663	3,254,811	2,804,604	-	-
Current portion of long-term loans from financial institution						
	24	102,000,000	117,757,191	180,000,000	-	-
Accrued expenses		436,867,529	283,482,978	151,377,824	22,085,714	25,458,568
Income tax payable		59,571,905	378,673,524	25,405,166	-	-
Other current liabilities	27	87,670,332	136,869,211	122,790,597	15,139,422	11,856,595
Total current liabilities		2,675,482,158	2,376,126,567	1,995,314,392	82,641,078	82,246,465
Non-current liabilities						
Liabilities under finance lease agreements						
- net of current portion	23	709,629	2,583,978	3,956,711	-	-
Long-term loans from financial institution						
- net of current portion	24	525,968,432	-	117,757,191	-	-
Provision for long-term employee benefits						
	25	202,235,515	198,601,493	186,709,390	29,923,667	29,704,626
Provision for mine reclamation and decommissioning costs						
	26	93,905,272	75,813,120	110,388,866	-	-
Deferred tax liabilities	32	161,747,276	130,765,083	51,395,872	-	-
Other non-current liabilities	27	69,822,069	182,513,702	258,619,500	-	-
Total non-current liabilities		1,054,388,193	590,277,376	728,827,530	29,923,667	29,704,626
Total liabilities		3,729,870,351	2,966,403,943	2,724,141,922	112,564,745	111,951,091

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 2018

(Unit: Baht)

	Note	Consolidated financial statements			Separate financial statements	
		31 December	31 December	1 January	31 December	31 December
		2018	2017	2017	2018	2017
			(Restated)			
<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	524,999,679
Share premium		680,400,000	680,400,000	680,400,000	680,400,000	680,400,000
Retained earnings						
Appropriated - Statutory reserve	28	52,500,000	52,500,000	52,500,000	52,500,000	52,500,000
Appropriated - General reserve		1,044,500,000	747,300,000	746,000,000	1,044,500,000	747,300,000
Unappropriated		2,018,746,800	2,195,917,629	1,920,661,331	363,673,496	544,022,616
Other components of shareholders' equity		42,610,140	50,979,693	193,989,842	-	-
<b>Equity attributable to owners of the Company</b>		<b>4,363,756,619</b>	<b>4,252,097,001</b>	<b>4,118,550,852</b>	<b>2,666,073,175</b>	<b>2,549,222,295</b>
Non-controlling interests of the subsidiaries		1,552,088,236	1,556,097,102	1,687,809,416	-	-
<b>Total shareholders' equity</b>		<b>5,915,844,855</b>	<b>5,808,194,103</b>	<b>5,806,360,268</b>	<b>2,666,073,175</b>	<b>2,549,222,295</b>
<b>Total liabilities and shareholders' equity</b>		<b>9,645,715,206</b>	<b>8,774,598,046</b>	<b>8,530,502,190</b>	<b>2,778,637,920</b>	<b>2,661,173,386</b>

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

Directors

Lanna Resources Public Company Limited and its subsidiaries

Income statements

For the year ended 31 December 2018

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2018	2017	2018	2017
			(Restated)		
Revenues					
Sales	7	12,535,212,032	12,080,187,301	1,377,701,628	1,941,730,936
Commission and marketing service income	7	-	-	172,034,299	166,011,630
Other income					
Dividend income	7, 13, 14	-	-	613,670,463	696,314,477
Service income	7	-	-	36,367,393	33,548,921
Gain on exchange		-	-	10,987,729	-
Interest income	7	22,218,591	22,580,526	8,493,922	13,704,778
Others		15,968,461	32,866,250	10,863,278	15,762,207
Total other income		38,187,052	55,446,776	680,382,785	759,330,383
Total revenues		12,573,399,084	12,135,634,077	2,230,118,712	2,867,072,949
Expenses					
Cost of sales	7	8,268,340,714	7,848,219,423	1,216,070,963	1,739,397,638
Selling and distribution expenses		2,208,937,462	1,870,045,869	159,974,139	172,786,995
Administrative expenses		512,972,149	504,131,996	118,636,803	108,075,916
Damage from flood event	31	2,250,927	73,317,726	-	-
Loss on exchange		32,628,137	19,550,458	-	4,923,135
Total expenses	30	11,025,129,389	10,315,265,472	1,494,681,905	2,025,183,684
Profit before share of profit from investment, finance cost and income tax expenses					
Share of profit from investment in associated company	14	12,017,855	19,152,977	-	-
Profit before finance cost and income tax expenses		1,560,287,550	1,839,521,582	735,436,807	841,889,265
Finance cost		(63,058,752)	(63,892,101)	-	-
Profit before income tax expenses		1,497,228,798	1,775,629,481	735,436,807	841,889,265
Income tax expenses	32	(449,371,085)	(643,651,736)	(133,733,631)	(87,888,889)
Profit for the year		1,047,857,713	1,131,977,745	601,703,176	754,000,376
Profit attributable to:					
Equity holders of the Company		600,678,661	642,628,020	601,703,176	754,000,376
Non-controlling interests of the subsidiaries		447,179,052	489,349,725		
		1,047,857,713	1,131,977,745		
Basic earnings per share					
Profit attributable to equity holders of the Company	34	1.14	1.22	1.15	1.44

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

Lanna Resources Public Company Limited and its subsidiaries

Statements of comprehensive income

For the year ended 31 December 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017 (Restated)	2018	2017
<b>Profit for the year</b>		<u>1,047,857,713</u>	<u>1,131,977,745</u>	<u>601,703,176</u>	<u>754,000,376</u>
<b>Other comprehensive income:</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>					
Exchange differences on translation of financial statements in foreign currency		<u>(14,841,528)</u>	<u>(229,589,173)</u>	<u>-</u>	<u>-</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		<u>(14,841,528)</u>	<u>(229,589,173)</u>	<u>-</u>	<u>-</u>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial gain (loss)		<u>7,433,199</u>	<u>(9,451,590)</u>	<u>(2,315,740)</u>	<u>-</u>
Less: Income tax effect	32	<u>(2,458,408)</u>	<u>2,504,064</u>	<u>463,148</u>	<u>-</u>
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		<u>4,974,791</u>	<u>(6,947,526)</u>	<u>(1,852,592)</u>	<u>-</u>
<b>Other comprehensive income for the year</b>		<u>(9,866,737)</u>	<u>(236,536,699)</u>	<u>(1,852,592)</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>1,037,990,976</u>	<u>895,441,046</u>	<u>599,850,584</u>	<u>754,000,376</u>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		<u>594,659,322</u>	<u>495,795,928</u>	<u>599,850,584</u>	<u>754,000,376</u>
Non-controlling interests of the subsidiaries		<u>443,331,654</u>	<u>399,645,118</u>		
		<u>1,037,990,976</u>	<u>895,441,046</u>		

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

Lanna Resources Public Company Limited and its subsidiaries  
Statements of changes in shareholders' equity  
For the year ended 31 December 2018

(Unit: Baht)

Consolidated financial statements													
Equity attributable to owners of the Company													
Other component of equity													
Other													
Other comprehensive income													
Exchange differences on translation of financial statements in foreign currency													
Note	Issued and paid up share capital	Share premium	Retained earnings			Surplus on change in the percentage of shareholding in subsidiary	Capital reserve for share-based payment transactions	Total other component of shareholders' equity	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity		
			Statutory reserve	General reserve	Unappropriated reserve								
	524,999,679	680,400,000	52,500,000	746,000,000	1,920,661,331	117,484,715	75,948,676	556,451	193,989,842	4,118,550,852	1,687,809,416	5,806,360,268	
					642,628,020	-			-	642,628,020	489,349,725	1,131,977,745	
					(3,821,943)	(143,010,149)			(143,010,149)	(146,832,092)	(89,704,607)	(236,536,699)	
					638,806,077	(143,010,149)			(143,010,149)	495,795,928	399,645,118	895,441,046	
35					(362,249,779)				-	(362,249,779)	-	(362,249,779)	
				1,300,000	(1,300,000)				-	-	-	-	
35									-	-	-	-	
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The accompanying notes are an integral part of the financial statements.



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

Lanna Resources Public Company Limited and its subsidiaries  
**Statements of changes in shareholders' equity (continued)**  
For the year ended 31 December 2018

Separate financial statements							(Unit: Baht)
	Note	Issued and paid up share capital	Share premium	Retained earnings			Total shareholders' equity
				Appropriated		Unappropriated	
				Statutory reserve	General reserve		
Balance as at 1 January 2017		524,999,679	680,400,000	52,500,000	746,000,000	153,572,019	2,157,471,698
Profit for the year		-	-	-	-	754,000,376	754,000,376
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-	-
Dividend paid	35	-	-	-	-	754,000,376	754,000,376
Unappropriated retained earnings transferred to general reserve		-	-	-	-	(362,249,779)	(362,249,779)
Balance as at 31 December 2017	35	524,999,679	680,400,000	52,500,000	747,300,000	(1,300,000)	-
						544,022,616	2,549,222,295
Balance as at 1 January 2018		524,999,679	680,400,000	52,500,000	747,300,000	544,022,616	2,549,222,295
Profit for the year		-	-	-	-	601,703,176	601,703,176
Other comprehensive income for the year		-	-	-	-	(1,852,592)	(1,852,592)
Total comprehensive income for the year		-	-	-	-	-	-
Dividend paid	35	-	-	-	-	599,850,584	599,850,584
Unappropriated retained earnings transferred to general reserve		-	-	-	-	(482,999,704)	(482,999,704)
Balance as at 31 December 2018	35	524,999,679	680,400,000	52,500,000	297,200,000	(297,200,000)	-
					1,044,500,000	363,673,496	2,666,073,175

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

**Lanna Resources Public Company Limited and its subsidiaries**

**Statements of cash flows**

**For the year ended 31 December 2018**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>				
Profit before tax	1,497,228,798	1,775,629,481	735,436,807	841,889,265
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities				
Depreciation and amortisation	731,019,785	681,903,301	29,621,917	21,292,938
Reduction of inventory to net realisable value (reversal)	2,104,882	(3,312,232)	-	-
Gain on disposals and change in value of investments in trading securities	(4,832,311)	(4,334,420)	(4,751,469)	(4,234,842)
Share of profit from investment in associated company	(12,017,855)	(19,152,977)	-	-
Write-off of value added tax refundable and prepaid income tax	1,440,453	42,154,798	-	-
Gain on disposal of equipment	(691,748)	(437,440)	(11,058)	(4,418)
Loss on write-off of equipment	644,254	3,947,707	-	42
Loss on write-off of deferred stripping costs	-	248,702	-	-
Reversal of dividend payable	(114,952)	(4,164,370)	(114,952)	(4,164,370)
Dividend income	-	-	(613,670,463)	(696,314,477)
Provision for long-term employee benefits	31,789,704	23,560,027	3,126,418	2,484,447
Provision for mine reclamation and decommissioning costs	30,021,743	7,750,309	-	-
Unrealised loss (gain) on exchange	12,557,286	(17,904,713)	2,091,702	5,639,709
Interest income	(22,218,591)	(22,580,526)	(8,493,922)	(13,704,778)
Interest expenses	62,494,862	63,686,760	-	-
Profit from operating activities before changes in operating assets and liabilities	2,329,426,310	2,526,994,407	143,234,980	152,883,516
Operating assets (increase) decrease				
Trade and other receivables	175,987,954	(650,482,522)	2,994,485	9,982,352
Inventories	20,998,385	71,098,012	47,319,202	44,172,751
Value added tax refundable	(213,465,826)	132,997,995	9,760,912	(659,477)
Advance payments for goods	(604,428,349)	528,907,088	(49,114,183)	23,046,282
Other current assets	61,151,485	(56,443,144)	298,494	(323,378)
Operating liabilities increase (decrease)				
Trade and other payables	32,895,950	67,318,174	(898,210)	(93,336,377)
Accrued expenses	152,865,570	131,378,101	(2,659,845)	12,933,907
Other current liabilities	(27,664,100)	20,576,525	(8,234,638)	(1,203,746)
Provision for long-term employee benefits	(5,194,143)	(3,868,203)	-	-
Provision for mine reclamation	(15,776,476)	(25,655,944)	-	-
Cash from operating activities	1,906,796,760	2,742,820,489	142,701,197	147,495,830

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

Lanna Resources Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the year ended 31 December 2018

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Cash flows from operating activities (continued)</b>				
Interest income	24,924,620	21,343,412	14,356,588	9,353,226
Cash paid for interest expenses	(38,038,399)	(33,802,531)	-	-
Refund of income tax	8,231,664	78,606,984	-	-
Cash paid for income tax	(843,762,225)	(193,362,530)	(121,681,872)	(80,748,421)
<b>Net cash from operating activities</b>	<b>1,058,152,420</b>	<b>2,615,605,824</b>	<b>35,375,913</b>	<b>76,100,635</b>
<b>Cash flows from investing activities</b>				
Investment in subsidiaries	-	-	-	(7,499,989)
Decrease (increase) in current investments	192,789,308	(197,152,206)	189,819,261	(192,306,136)
Increase in restricted bank deposits	(19,229,795)	(14,748,639)	-	-
Dividend received from subsidiaries and associated company	16,211,945	16,300,879	613,670,463	696,314,477
Proceeds from disposals of equipment	773,611	989,265	39,124	8,577
Acquisitions of property, plant and equipment	(669,082,448)	(265,907,605)	(27,999,252)	(30,038,292)
Acquisitions of computer software	(1,463,887)	(1,618,904)	(90,810)	(1,437,220)
Cash paid for transferring service fees	(191,939,400)	-	(191,939,400)	-
Cash paid for advance payment for share subscription	(241,154,424)	-	(241,154,424)	-
Increase in other non-current assets	(551,223,692)	(355,407,733)	(82,482)	(10,500)
<b>Net cash from (used in) investing activities</b>	<b>(1,464,318,782)</b>	<b>(817,544,943)</b>	<b>342,262,480</b>	<b>465,030,917</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in short-term loans from financial institutions	471,345,449	(132,481,605)	-	-
Cash received from long-term loan from financial institution	627,968,432	-	-	-
Repayment of long-term loan from financial institution	(117,757,191)	(180,000,000)	-	-
Cash paid for liabilities under finance lease agreements	(3,340,031)	(3,337,424)	-	-
Cash paid for liabilities under capital lease agreement	(162,263,493)	(85,362,021)	-	-
Dividend paid	(930,340,224)	(893,607,222)	(482,999,704)	(362,249,779)
Decrease in non-controlling interests of the subsidiaries	(6,471,975)	(86,579,013)	-	-
<b>Net cash used in financing activities</b>	<b>(120,859,033)</b>	<b>(1,381,367,285)</b>	<b>(482,999,704)</b>	<b>(362,249,779)</b>
<b>Increase (decrease) in translation adjustments</b>	<b>(8,452,796)</b>	<b>12,967,778</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(535,478,191)</b>	<b>429,661,374</b>	<b>(105,361,311)</b>	<b>178,881,773</b>
Cash and cash equivalents at beginning of year	1,128,070,350	698,170,417	261,622,317	82,501,985
Effect of change in foreign exchange rate				
on cash at bank balance	(228,655)	238,559	(228,655)	238,559
<b>Cash and cash equivalents at end of year (Note 8)</b>	<b>592,363,504</b>	<b>1,128,070,350</b>	<b>156,032,351</b>	<b>261,622,317</b>

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

Lanna Resources Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the year ended 31 December 2018

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Supplemental cash flows information:</b>				
Non-cash transaction from operating activities				
Transferred provision for long-term employee benefits				
to accrued expenses	7,514,150	4,089,548	5,223,117	-
Non-cash transactions from investing activities				
Accounts payable from purchases of plant, equipment				
and intangible assets	63,503,342	36,666,428	3,433,344	2,161,058
Transfer equipment to intangible assets	10,000	-	10,000	-
Acquisitions of equipment under finance lease agreements	-	1,993,124	-	-

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

**Lanna Resources Public Company Limited and its subsidiaries**  
**Notes to consolidated financial statements**  
**For the year ended 31 December 2018**

**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 Building 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 11 October 2016, issued under the Accounting Act B.E. 2543.

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

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

**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	
				<u>2018</u> Percent	<u>2017</u> 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	100.00
Thai Agro Energy Public Company Limited	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
<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**

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

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.



**(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019**

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

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

**TFRS 15 Revenue from Contracts with Customers**

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

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

Entities are to apply TFRS 15 to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

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

**(c) Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020**

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

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

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

**4. Prior year's adjustment**

During the current year, the management of the Company considered the recognition of deferred tax liabilities in relation to the divestment of investments in subsidiaries as discussed in Note 13 and found that in prior year the Company had under recorded the deferred tax liabilities. Therefore, the Company retroactively adjusted the consolidated financial statements for the year ended 31 December 2017, presented as comparative information, to reflect the effect of the adjustment whereby such adjustment had no effect to the consolidated statements of income and comprehensive income for the year ended 31 December 2017 and the consolidated statement of financial position as at 1 January 2017, presented as comparative information. The effect of such adjustment had been separately presented in the consolidated statement of changes in shareholders' equity.

The amounts of adjustment affecting the consolidated statement of financial position as at 31 December 2017 are summarised below.

(Unit: Thousand Baht)

**Consolidated statements of financial position**

Increase in deferred tax liabilities	86,813
Decrease in unappropriated retained earnings	(86,813)

**5. Significant accounting policies**

**5.1 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.

## **5.2 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.

## **5.3 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.

## **5.4 Inventories**

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

Raw materials, 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.

## **5.5 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) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.
- c) Investment in associated company is accounted for in the consolidated financial statements using the equity method.

- d) 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.

## **5.6 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.

## **5.7 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.

## **5.8 Borrowing costs**

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

## **5.9 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.

## **5.10 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.

## 5.11 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.

### **5.12 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.

### **5.13 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.

### **5.14 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.

#### **5.15 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.

#### **5.16 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.

## **5.17 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 defined benefit plans are recognised immediately in other comprehensive income.

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

## **5.18 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.

## **5.19 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.

## **5.20 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.

## **5.21 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.

## **5.22 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 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.

## **6. 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.

## 7. 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	
	2018	2017	2018	2017
<u>Transactions with subsidiaries</u>				
(eliminated from the consolidated financial statements)				
Commission and marketing				
service income	-	-	172,034	166,012
Dividend income	-	-	597,458	680,014
Service income	-	-	36,367	33,548
Interest income	-	-	805	4,798
Purchase of coal	-	-	33,782	373,167
<u>Transactions with major shareholder</u>				
Sales of coal	162,946	1,505,821	162,946	1,505,821
<u>Transactions with associated company</u>				
Dividend income	-	-	16,212	16,301
Purchase of coal	191,194	872,639	191,194	872,639
Freight charge	398,063	166,161	398,063	166,161
<u>Transactions with related company</u>				
Sales of coal	836,637	-	836,637	-

	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
Interest income	At the rate agreed between the parties
Freight charge	Price comparable to freight charges paid to third parties

As at 31 December 2018 and 2017, the balances of the accounts between the Company and those related parties are as follows:

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2018	2017	2018	2017
<b><u>Trade and other receivables - related parties</u></b>				
(Note 10)				
Major shareholder	-	79,542	-	79,542
Subsidiaries	-	-	67,600	48,157
Related company (related by common shareholder and/or common directors)	81,383	-	81,383	-
Total trade and other receivables - related parties	81,383	79,542	148,983	127,699
<b><u>Advance payments for goods - related parties</u></b>				
(Note 12)				
Subsidiary company	-	-	-	60,272
Total advance payment for goods - related parties	-	-	-	60,272
<b><u>Trade and other payables - related parties</u></b>				
(Note 22)				
Associated company	530	1,753	530	1,753
Total trade and other payables - related parties	530	1,753	530	1,753

#### Directors and management's benefits

During the years ended 31 December 2018 and 2017, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2018	2017	2018	2017
Short-term employee benefits	166,642	162,698	36,040	42,171
Post-employment benefits	14,875	19,994	1,098	1,075
Total	181,517	182,692	37,138	43,246

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash	150	149	40	40
Bank deposits	710,279	1,114,368	155,992	161,582
Bill of exchange	-	100,000	-	100,000
Total	710,429	1,214,517	156,032	261,622
Less: Restricted bank deposits	(105,065)	(86,447)	-	-
Total	605,364	1,128,070	156,032	261,622

As at 31 December 2018, bank deposits in savings accounts, fixed deposits and short-term investments carried interests between 0.1 and 7.5 percent per annum (2017: between 0.1 and 7.5 percent per annum).

As at 31 December 2018, the overseas subsidiaries have restricted bank deposits of USD 3.2 million or approximately Baht 105.1 million (2017: USD 2.6 million or approximately Baht 86.4 million) to secure bank guarantees issued by banks on behalf of the subsidiaries as discussed in Note 38.5.

## 9. Current investments

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Investments in trading securities - Open funds - fair value	496,386	257,298	491,050	249,072
Investments in debentures	149,949	246,994	149,949	246,994
Fixed deposit	-	100,000	-	100,000
Bills of exchange	-	230,000	-	230,000
Total	646,335	834,292	640,999	826,066

During the year 2018, the Company and its subsidiaries recognised gains on the sales of trading securities amounting to Baht 4.8 million (the Company only: Baht 4.8 million) (2017: Baht 5.4 million (the Company only: Baht 5.3 million)). As at 31 December 2018, the Company and its subsidiaries recognised gain on valuation of trading securities amounting to Baht 0.06 million (the Company only: Baht 0.05 million) in profit or loss (2017: recognised loss on valuation of trading securities amounting to Baht 1.1 million (the Company only: Baht 1.1 million)).

As at 31 December 2017, the Company had current investment in the form of fixed deposit and bill of exchange of Baht 330 million in which carried interests between 1.3 and 1.7 percent per annum.

## 10. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b><u>Trade receivables - related parties</u></b>				
Age on the basis of due dates				
Not yet due	81,383	79,542	102,857	95,060
Past due				
Up to 3 months	-	-	24,310	11,097
Total trade receivables - related parties	81,383	79,542	127,167	106,157
<b><u>Trade receivables - unrelated parties</u></b>				
Age on the basis of due dates				
Not yet due	910,640	1,163,445	38,149	56,235
Past due				
Up to 3 months	83,753	10,002	-	10,002
Total trade receivables - unrelated parties	994,393	1,173,447	38,149	66,237
Total trade receivables	1,075,776	1,252,989	165,316	172,394
<b><u>Other receivables</u></b>				
Other receivables - related parties	-	-	21,816	18,363
Other receivables - unrelated parties	13,134	11,913	296	150
Advances	309	304	309	304
Interest receivable - related parties	-	-	-	3,179
Interest receivable - unrelated parties	362	3,068	274	2,957
Total other receivables	13,805	15,285	22,695	24,953
Total trade and other receivables	1,089,581	1,268,274	188,011	197,347

The overseas subsidiary has pledged its accounts receivable to secure credit facilities from the financial institutions. As at 31 December 2018, the balance of accounts receivable totaling Rupiah 90,000 million or approximately Baht 191.9 million (2017: Rupiah 90,000 million or approximately Baht 207.5 million) were placed to secure such credit facilities.

## 11. Inventories

(Unit: Thousand Baht)

Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net
	2018	2017	2018	2017	2018 2017
Coal and work in process	222,637	260,826	(2,660)	-	219,977 260,826
Finished goods - Ethanol	23,685	17,051	-	(555)	23,685 16,496
Work in process - Ethanol	12,276	18,312	-	-	12,276 18,312
Raw materials	94,019	78,179	-	-	94,019 78,179
Supplies	12,874	13,137	-	-	12,874 13,137
Spare parts	6,821	5,805	-	-	6,821 5,805
Total	372,312	393,310	(2,660)	(555)	369,652 392,755

(Unit: Thousand Baht)

Separated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net
	2018	2017	2018	2017	2018 2017
Coal	136,915	184,235	-	-	136,915 184,235
Total	136,915	184,235	-	-	136,915 184,235

During the current year, the subsidiaries reduced cost of inventories by Baht 2.1 million, to reflect the net realisable value. This was included in cost of sales (2017: the subsidiaries reversed the write-down of cost of inventories by Baht 3.5 million, and reduced the amount of inventories recognised as expenses during the year).

## 12. Advance payments for goods

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Advance payments for goods - related parties	-	-	-	60,272
Advance payments for goods - unrelated parties	660,045	56,890	108,114	-
Total advance payments for goods	660,045	56,890	108,114	60,272

The local subsidiary had significant business transactions with local companies in respect of purchases of molasses and raw sugar under the purchase of molasses agreement and raw sugar agreement. To comply with the conditions in the agreements, as at 31 December 2018, the subsidiary had outstanding advance payments for purchase of molasses amounting to Baht 545.1 million (2017: Baht 38.4 million).

### 13. Investments in subsidiaries

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

Company's name	Paid up capital		Shareholding percentage		Cost		Dividend received for the years ended 31 December	
	2018	2017	2018 (%)	2017 (%)	2018	2017	2018	2017
<b>Local subsidiary</b>								
Lanna Power Generation Company Limited	Baht 10 million	Baht 10 million	100.00	100.00	10,000	10,000	-	-
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	187,170	128,369
PT. Lanna Harita Indonesia (Incorporated in Indonesia)	USD 8 million	USD 8 million	55.00	55.00	155,023	155,023	333,788	475,145
<b>Total</b>					<b>764,538</b>	<b>764,538</b>	<b>597,458</b>	<b>680,014</b>

## **Local subsidiary**

### Lanna Power Generation Company Limited

On 16 October 2018, the Board of Directors Meeting passed a resolution approving the increase of registered capital of Lanna Power Generation Co., Ltd. from Baht 10 million (2 million shares of Baht 5 each) to Baht 20 million (4 million shares of Baht 5 each), by issuing ordinary shares of Baht 10 million (2 million shares of Baht 5 each). The meeting also approved the Company to exercise the right to subscribe for newly issued shares according to the share allotment of approximately Baht 10 million (1,999,997 ordinary shares of Baht 5 each).

## **Overseas subsidiaries**

On 17 September 2018, the Board of Directors Meeting passed a resolution approving the increase of SGP's registered capital from Rupiah 7,950 million (7,950 shares of Rupiah 1 million each) to Rupiah 10,500 million (10,500 shares of Rupiah 1 million each) by issuing ordinary shares of Rupiah 2,550 million (2,550 shares of Rupiah 1 million each). The meeting also approved the Company to exercise the right to subscribe for the newly issued shares according to the share allotment of Rupiah 1,657 million or approximately equivalent to Baht 3.65 million (1,657 ordinary shares of Rupiah 1 million each), to maintain shareholding proportion at 65 percent of paid-up capital of SGP.

The Company has 3 overseas subsidiaries in which the Company has shareholding percentage between 55.00% and 99.95% and, as at 31 December 2018, such subsidiaries had unappropriated retained earnings of the Company's portion totaling USD 33.0 million or approximately Baht 1,110 million (2017: USD 36.2 million or approximately Baht 1,212 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.

During the current year, PT. Singlurus Pratama ("SGP") and PT. Lanna Harita Indonesia ("LHI") sign amendment to each of their coal mining concession or the Coal Contract of Work ("CCOW") with the Ministry of Energy and Mineral Resources in respect of divestment obligation to reduce the proportion of foreign or non-Indonesian shareholding to not more than 49 percent of the paid up capital. The Company has to completely reduce such divestment within October 2019. After the divestment, the Company will have the percentage of shareholding in SGP and LHI at 49 percent and 41.4615 percent, respectively.

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

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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	(%)	(%)										
Thai Agro Energy Public Co., Ltd. PT. Singlurus	49.00	49.00	867	796	144	24	-	(1)	-	-	(73)	(74)
Pratama PT. Lanna Harita	35.00	35.00	340	346	96	122	2	-	(3)	(36)	(101)	(69)
Indonesia	45.00	45.00	352	421	207	343	1	(2)	(4)	(51)	(273)	(389)

(Unit: Million Baht)



13.3 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 Public Co., Ltd.		PT. Singlurus Pratama		PT. Lanna Harita Indonesia	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current assets	1,010	425	908	975	1,115	1,435
Non-current assets	2,763	2,406	1,211	1,072	366	324
Current liabilities	(1,470)	(1,198)	(682)	(540)	(512)	(665)
Non-current liabilities	(530)	(5)	(256)	(309)	(187)	(158)

Summarised information about comprehensive income

(Unit: Million Baht)

For the year ended 31 December

	Thai Agro Energy Public Co., Ltd.		PT. Singlurus Pratama		PT. Lanna Harita Indonesia	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenue	2,698	2,473	4,043	3,237	4,468	4,744
Profit	294	49	274	349	459	761
Other comprehensive income	-	(3)	4	(1)	2	(4)
Total comprehensive income	294	46	278	348	461	757

Summarised information about cash flow

(Unit: Million Baht)

For the year ended 31 December

	Thai Agro Energy Public Co., Ltd.		PT. Singlurus Pratama		PT. Lanna Harita Indonesia	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash flow from (used in) operating activities	(143)	641	612	390	402	1,377
Cash flow use in investing activities	(493)	(222)	(507)	(122)	(206)	(284)
Cash flow from (used in) financing activities	633	(421)	(152)	(236)	(561)	(850)
Net increase (decrease) in cash and cash equivalents	(3)	(2)	(47)	32	(365)	243

# 14. Investment in associated company

## 14.1 Detail of associated company

Company's name	Nature of Business	(Unit: Thousand Baht)			
		Paid up capital		Consolidated	Separate
		2018	2017	financial statements	financial statements
		Shareholding percentage		Carrying amounts based on equity method	
		2018	2017	2018	2017
		(%)	(%)		
United Bulk Shipping Pte. Ltd.	Shipping business				
(Incorporated in Singapore)	and coal distribution	49	49	23,879	891
	SGD 0.1 million				
	SGD 0.1 million			28,073	891
Total				23,879	891
				28,073	891

#### 14.2 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:

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	
	2018 2017	2018 2017	2018 2017	2017
United Bulk Shipping Pte. Ltd.	12,018 19,153	-	16,212	16,301

Share of profit from United Bulk Shipping Pte. Ltd. for the years ended 31 December 2018 and 2017 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.

### 14.3 Summarised financial information about material associate

#### Summarised information about financial position

	(Unit: Million Baht)	
	United Bulk Shipping Pte. Ltd.	
	<u>2018</u>	<u>2017</u>
Current assets	55	139
Current liabilities	(5)	(80)
Net assets	50	59
Carrying amounts of associates based on equity method	24	28

#### Summarised information about comprehensive income

	(Unit: Million Baht)	
	For the years ended 31 December	
	United Bulk Shipping Pte. Ltd.	
	<u>2018</u>	<u>2017</u>
Revenue	593	1,050
Profit	24	39
Other comprehensive income	-	-
Total comprehensive income	24	39

### 15. Advance payment for share subscription

On 8 March 2018, the Company entered into Conditional Share Subscription Agreement for subscription of new issued 269,674,581 ordinary shares of PT. Pesona Khatulistiwa Nusantara ("PKN") which incorporated in mining business in Indonesia amounting to USD 8.8 million with proportion of 40 percent of total registered shares after the increase in share capital of PKN. During the current year, the Company paid an advance for the share subscription of USD 7.5 million or approximately Baht 241.2 million. However, the completion of the transaction is subject to certain conditions precedent under the agreement which must be satisfied in full.

## 16. Investment properties

The net book value of investment properties as at 31 December 2018 and 2017 is presented below.

	(Unit: Thousand Baht)	
	Consolidated and Separate financial statements	
	<u>2018</u>	<u>2017</u>
Cost	35,193	35,193
Less: Accumulated depreciation	(1,200)	(1,200)
Less: Allowance for diminution in value	<u>(1,570)</u>	<u>(1,570)</u>
Net book value	<u>32,423</u>	<u>32,423</u>

No movement of investment properties for the years 2018 and 2017.

As at 31 December 2018, 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 (2017: Baht 32.4 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 (2017: Baht 1.6 million).

The fair value of the investment properties as at 31 December 2018 is Baht 48 million (2017: Baht 48 million), which is determined based on the price appraised by the Department of Land.

## 17. Property, plant and equipment

### Consolidated financial statements

	(Unit: Thousand Baht)								
	Land	Ore	Land improvement	Building and amenities	Machinery and equipment	Furniture and office equipment	Vehicles	Assets under construction and installation	Total
Cost									
1 January 2017	372,625	65,045	138,140	1,127,992	2,758,112	99,013	51,592	542,265	5,154,784
Additions	49,224	-	2,108	20,570	1,904	4,243	1,817	197,595	277,461
Disposals/write-off	-	-	-	(14,909)	(8,104)	(2,493)	(3,515)	(315)	(29,336)
Transfer in (transfer out)	-	-	-	56,437	510,887	-	-	(567,324)	-
Translation adjustment	(1,658)	-	(1,661)	(73,926)	(45,406)	(4,314)	(1,748)	(10,346)	(139,059)
31 December 2017	420,191	65,045	138,587	1,116,164	3,217,393	96,449	48,146	161,875	5,263,850
Additions	16,394	-	5,511	13,984	17,047	7,000	4,960	637,975	702,871
Disposals/write-off	-	-	-	(9,363)	(149)	(8,077)	(5,139)	(624)	(23,352)
Transfer in (transfer out)	-	-	18,234	158,348	2,044	400	-	(179,036)	(10)
Translation adjustment	(122)	-	(122)	(5,334)	(3,363)	(314)	(104)	(759)	(10,118)
31 December 2018	436,463	65,045	162,210	1,273,799	3,232,972	95,458	47,863	619,431	5,933,241

(Unit: Thousand Baht)

	Land	Ore	Land improvement	Building and amenities	Machinery and equipment	Furniture and office equipment	Vehicles	Assets under construction and installation	Total
<b>Accumulated depreciation</b>									
1 January 2017	-	65,045	41,087	230,753	1,055,758	88,761	37,504	-	1,518,908
Depreciation for the year	-	-	4,550	86,261	157,199	4,702	4,642	-	257,354
Accumulated depreciation of the disposal/written-off	-	-	-	-	-	-	-	-	-
Translation adjustment	-	-	(1,661)	(1,572)	(7,102)	(2,461)	(2,934)	-	(14,069)
31 December 2017	-	65,045	43,976	302,049	1,180,175	86,929	37,949	-	1,716,123
Depreciation for the year	-	-	5,698	94,853	162,381	4,700	4,135	-	271,767
Accumulated depreciation of the disposal/written-off	-	-	-	-	-	-	-	-	-
Translation adjustment	-	-	(123)	(9,363)	(145)	(8,026)	(5,092)	-	(22,626)
31 December 2018	-	65,045	49,551	386,048	1,340,389	83,310	36,907	-	1,961,250
<b>Net book value</b>									
31 December 2017	420,191	-	94,611	814,115	2,037,218	9,520	10,197	161,875	3,547,727
31 December 2018	436,463	-	112,659	887,751	1,892,583	12,148	10,956	619,431	3,971,991
<b>Depreciation for the year</b>									
2017 (Baht 179 million included in manufacturing cost, and the balance in selling, distribution and administrative expenses)									257,354
2018 (Baht 215 million included in manufacturing cost, and the balance in selling, distribution and administrative expenses)									271,767

## Separate financial statements

(Unit: Thousand Baht)									
Cost	Land	Ore	Land improvement	Building and amenities	Machinery and equipment	Furniture and office equipment	Vehicles	Assets under construction and installation	Total
1 January 2017	180,000	65,045	62,455	31,988	95,201	28,034	2,823	-	465,546
Additions	-	-	2,108	9,739	549	1,267	-	18,234	31,897
Disposal/write-off	-	-	-	-	-	(131)	(8)	-	(139)
31 December 2017	180,000	65,045	64,563	41,727	95,750	29,170	2,815	18,234	497,304
Additions	-	-	5,511	3,800	6,330	1,630	-	12,000	29,271
Transfer in (transfer out)	-	-	18,234	-	-	(10)	-	(18,234)	(10)
Disposal/write-off	-	-	-	-	(69)	(3,162)	-	-	(3,231)
31 December 2018	180,000	65,045	88,308	45,527	102,011	27,628	2,815	12,000	523,334
Accumulated depreciation									
1 January 2017	-	65,045	22,187	5,153	71,766	23,975	2,823	-	190,949
Depreciation for the year	-	-	4,550	1,895	2,465	1,974	-	-	10,884
Accumulated depreciation of the disposal/written-off	-	-	-	-	-	(127)	(8)	-	(135)
31 December 2017	-	65,045	26,737	7,048	74,231	25,822	2,815	-	201,698
Depreciation for the year	-	-	5,698	2,119	2,516	1,580	-	-	11,913
Accumulated depreciation of the disposal/written-off	-	-	-	-	(69)	(3,134)	-	-	(3,203)
31 December 2018	-	65,045	32,435	9,167	76,678	24,268	2,815	-	210,408
Net book value									
31 December 2017	180,000	-	37,826	34,679	21,519	3,348	-	18,234	295,606
31 December 2018	180,000	-	55,873	36,360	25,333	3,360	-	12,000	312,926
Depreciation for the year									
2017 (included in selling, distribution and administrative expenses)									10,884
2018 (included in selling, distribution and administrative expenses)									11,913



As at 31 December 2018, subsidiaries had office equipment and vehicles under finance lease agreements with net book values amounting to Baht 4.8 million (2017: Baht 7.6 million) and hauling road and special terminal under capital lease agreement with net book values amounting to Baht 274.7 million (2017: Baht 312.4 million).

As at 31 December 2018, a local subsidiary had an outstanding balance of the construction of Wastewater Evaporation Plant amounting to Baht 350.9 million (2017: Nil). The construction has been financed with a loan from a financial institution. Borrowing costs amounting to Baht 4.4 million were capitalised during the year (2017: Nil). The weighted average rate of 2.9 to 3.7 percent per annum has been used to determine the amount of borrowing costs eligible for capitalisation.

The subsidiary has mortgaged part of its land and construction thereon and machinery with net book value as at 31 December 2018 amounting to approximately Baht 1,614 million (2017: Baht 1,714 million) as collateral for short-term and long-term loans and credit facilities granted by a commercial bank as discussed in Note 21 and Note 24.

As at 31 December 2018, 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 372 million (2017: Baht 290 million) (the Company only: Baht 98 million (2017: Baht 98 million)).

## **18. 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	1
Discount rate	18

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.

## 19. Intangible assets

Details of intangible assets are as follows:

### Consolidated financial statements

	(Unit: Thousand Baht)		
	Computer software	Deferred transferred service fees according to contract	Total
<b>Cost</b>			
1 January 2017	18,167	-	18,167
Additions	1,594	-	1,594
Write-off	(607)	-	(607)
Translation adjustment	(319)	-	(319)
31 December 2017	18,835	-	18,835
Additions	1,602	191,939	193,541
Transfer in from equipment	10	-	10
Translation adjustment	(24)	-	(24)
31 December 2018	20,423	191,939	212,362
<b>Accumulated amortisation</b>			
1 January 2017	13,058	-	13,058
Amortisation for the year	1,705	-	1,705
Accumulated amortisation of the written-off assets	(607)	-	(607)
Translation adjustment	(306)	-	(306)
31 December 2017	13,850	-	13,850
Amortisation for the year	1,634	22,730	24,364
Translation adjustment	(24)	-	(24)
31 December 2018	15,460	22,730	38,190
<b>Net book value</b>			
31 December 2017	4,985	-	4,985
31 December 2018	4,963	169,209	174,172

## Separate financial statements

	(Unit: Thousand Baht)		
	Computer software	Deferred transferred service fees according to contract	Total
<b>Cost</b>			
1 January 2017	7,052	-	7,052
Additions	1,437	-	1,437
Write-off	(601)	-	(601)
31 December 2017	7,888	-	7,888
Additions	91	191,939	192,030
Transfer in from equipment	10	-	10
31 December 2018	7,989	191,939	199,928
<b>Accumulated amortisation</b>			
1 January 2017	4,464	-	4,464
Amortisation for the year	924	-	924
Accumulated amortisation of the written-off assets	(601)	-	(601)
31 December 2017	4,787	-	4,787
Amortisation for the year	915	22,730	23,645
31 December 2018	5,702	22,730	28,432
<b>Net book value</b>			
31 December 2017	3,101	-	3,101
31 December 2018	2,287	169,209	171,496

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

On 9 February 2018, 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 25 million tons of coal, in accordance with the Service Agreement, which stipulates that IPJ is to receive a fee of USD 0.75 per ton of coal produced and distributed from SGP. The Company had negotiated the price of transferring of such right at USD 6 million, or equivalent to Baht 191.9 million in which the Company separately paid in 2 installments. The Company paid the first payment in February 2018 with amount of USD 4 million or equivalent to Baht 128.0 million. The second payment was paid in April 2018 with amount of USD 2 million or equivalent to Baht 63.9 million. Such right to the fees will be amortised according to the quantity of coal produced and sold from SGP.

## 20. Other non-current assets

Other non-current assets have been shown net of related accumulated amortisation as at 31 December 2018 and 2017 are as follows:

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2018	2017	2018	2017
Deferred expenses - Indonesia coal mine project	218,731	316,774	-	-
Deferred stripping costs	328,037	123,315	-	-
Others	22,433	21,939	3,822	3,740
Total other non-current assets	569,201	462,028	3,822	3,740
Amortisation expenses for the year	440,825	422,844	-	-

### Deferred expenses - Indonesia coal mine project

A reconciliation of the net book value of deferred expenses - Indonesia coal mine project for the years 2018 and 2017 is presented below.

	(Unit: Thousand Baht)		
	Consolidated financial statements		
	Exploration and evaluation assets	Deferred exploration and development costs	Total
As at 1 January 2017	39,351	305,319	344,670
Increase during the year	-	43,404	43,404
Amortisation for the year	-	(41,002)	(41,002)
Translation adjustment	(3,459)	(26,839)	(30,298)
As at 31 December 2017	35,892	280,882	316,774
Increase during the year	-	31,486	31,486
Transfer in (transfer out)	(32,521)	32,521	-
Amortisation for the year	-	(127,288)	(127,288)
Translation adjustment	(254)	(1,987)	(2,241)
As at 31 December 2018	3,117	215,614	218,731

## Deferred stripping costs

A reconciliation of the net book value of deferred stripping costs for the years 2018 and 2017 is presented below.

	(Unit: Thousand Baht)	
	Consolidated	
	financial statements	
	<u>2018</u>	<u>2017</u>
Net book value at beginning of year	123,315	162,584
Increase during the year	519,131	347,628
Write-off during the year	-	(248)
Amortisation for the year	(313,537)	(372,357)
Translation adjustment	(872)	(14,292)
Net book value at end of year	<u>328,037</u>	<u>123,315</u>

## 21. Short-term loans from financial institutions

	(Unit: Thousand Baht)			
	Interest rate		Consolidated	
	(percent per annum)		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Promissory notes	2.75 - 2.95	2.75 - 3.00	882,905	633,210
Trust receipts	2.75	2.75 - 2.85	291,807	265,858
Bill of purchasing line	0.06 - 3.10	-	195,701	-
Total			<u>1,370,413</u>	<u>899,068</u>

Movements in short-term loans from financial institutions during the year ended 31 December 2018 are summarised below.

	(Unit: Thousand Baht)
Balance as at 31 December 2017	899,068
Add: Increase during the year	5,080,512
Less: Repayment during the year	(4,609,167)
Balance as at 31 December 2018	<u>1,370,413</u>

As at 31 December 2018 and 2017, credit facilities are secured by the mortgage of part of the subsidiary's land and construction thereon and machinery as discussed in Note 17.

## 22. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Trade payables - related parties	530	1,753	530	1,753
Trade payables - unrelated parties	496,300	462,522	39,819	39,729
Other payables - unrelated parties	120,034	92,746	5,067	3,449
Total trade and other payables	<u>616,864</u>	<u>557,021</u>	<u>45,416</u>	<u>44,931</u>

## 23. Liabilities under finance lease agreements

Details of liabilities under finance lease agreements of a subsidiary as at 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)	
	Consolidated	
	financial statements	
	<u>2018</u>	<u>2017</u>
Liabilities under finance lease agreements	2,888	6,227
Less: Deferred interest expenses	(83)	(388)
Total	<u>2,805</u>	<u>5,839</u>
Less: Current portion	(2,095)	(3,255)
Liabilities under finance lease agreements - net of current portion	<u>710</u>	<u>2,584</u>

The subsidiary has entered into the finance lease agreements with leasing company for rental of office equipment and 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 2018		
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	2,172	716	2,888
Deferred interest expenses	(77)	(6)	(83)
Present value of future minimum lease payments	<u>2,095</u>	<u>710</u>	<u>2,805</u>

(Unit: Thousand Baht)

As at 31 December 2017			
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	3,560	2,667	6,227
Deferred interest expenses	(305)	(83)	(388)
Present value of future minimum lease payments	3,255	2,584	5,839

**24. Long-term loans from financial institution**

(Unit: Thousand Baht)

Consolidated financial statements		
	2018	2017
Long-term loans from financial institution	627,968	117,757
Less: Current portion	(102,000)	(117,757)
Long-term loans from financial institution - net of current portion	525,968	-

Movements in the long-term loans from financial institution during the year ended 31 December 2018 are summarised below.

(Unit: Thousand Baht)

Balance as at 31 December 2017	117,757
Add: Additional loan withdrew during the period	627,968
Less: Repayment during the period	(117,757)
Balance as at 31 December 2018	627,968

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 an another local bank. 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 17.

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.

On 15 May 2018, the subsidiary entered into long-term loan agreement with a local bank, obtaining loan facilities of Baht 418 million. The loan carries interest at 3M THBFIX reference rate plus 1.95 percent per annum and is repayable the first installment in the last day of the eighteenth month since the subsidiary withdrew the loan (8 June 2018). The loan is repayable within 6 years in 10 semi-annually installments of Baht 42 million during the first to ninth installment, remaining balance is repayable in the tenth installment and interest is repayable every 3 months. The loan is secured by the mortgage of a part of the subsidiary's land and construction thereon and machinery as discussed in Note 17.

Subsequently, on 8 November 2018, the Company entered into another long-term loan agreement with the same bank, obtaining loan facilities of Baht 300 million. The loan carries interest at 3M THBFIX reference rate plus 1.95 percent per annum and is repayable the first installment in the last day of the sixth month since the Company withdrew the loan (15 November 2018). The loan is repayable within 5 years in 10 semi-annually installments of Baht 30 million each and interest is repayable every 3 months. The loan is secured by the mortgage of a part of the Company's land and construction thereon and machinery as discussed in Note 17.

The loan agreements contain covenants that, among other things, require the subsidiary to maintain certain financial ratios according to the agreement such as debt to equity and debt service coverage ratios at the rate prescribed in the agreement.

As at 31 December 2018, the subsidiary could maintain certain financial ratio as specified in the long-term loan agreement (2017: the subsidiary could not maintain certain financial ratios as specified in the loan agreement. However, the subsidiary had obtained a waiver letter for the condition to maintain certain financial ratios for the years ended 31 December 2017 from a bank on 29 January 2018. As at 31 December 2017, the long-term loan of Baht 117.8 million is current portion of long-term loan).



## 25. 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Provision for long-term employee benefits at</b>				
<b>beginning of year</b>	198,601	186,710	29,705	27,220
Included in profit or loss:				
Current service cost	21,879	21,125	2,116	1,603
Interest cost	11,977	12,553	1,010	882
Past service costs	(2,066)	(10,119)	-	-
Included in other comprehensive income:				
Actuarial (gain) loss arising from				
Demographic assumptions changes	1,157	815	1,157	-
Financial assumptions changes	(11,475)	6,179	(1,198)	-
Experience adjustments	2,885	2,457	2,357	-
Benefits paid during the year	(8,618)	(5,412)	(5,223)	-
Translation adjustment	(12,104)	(15,707)	-	-
<b>Provision for long-term employee benefits at</b>				
<b>end of year</b>	<u>202,236</u>	<u>198,601</u>	<u>29,924</u>	<u>29,705</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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cost of sales	387	69	-	-
Selling, distribution and administrative expenses	31,403	23,490	3,126	2,485
Total expenses recognised in profit or loss	<u>31,790</u>	<u>23,559</u>	<u>3,126</u>	<u>2,485</u>

The Company and its subsidiaries expect to pay Baht 14.1 million of long-term employee benefits during the next year (the Company only: Baht 5.6 million) (2017: Baht 4.1 million (the Company only: None)).

As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefit is 9 - 15 years (Separate financial statements: 14 years) (2017: 9 - 20 years, separate financial statements: 20 years).

Significant actuarial assumptions are summarised below:

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	2.40 - 8.28	2.40 - 6.90	2.96	3.62
Salary increase rate	5.00 - 8.00	5.00 - 8.00	6.34	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 2018 and 2017 are summarised below:

(Unit: Thousand Baht)

	As at 31 December 2018					
	Consolidated financial statements				Separate	
	The group in Thailand		The group in overseas		financial statements	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	0.5% - 1.0%	0.5% - 1.0%	1.0%	1.0%	0.5%	0.5%
Discount rate	(1,200)	1,279	(8,558)	9,538	(1,179)	1,256
Salary increase rate	1,404	(1,325)	9,579	(8,742)	1,351	(1,279)

(Unit: Thousand Baht)

	As at 31 December 2017					
	Consolidated financial statements				Separate	
	The group in Thailand		The group in overseas		financial statements	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	0.5% - 1.0%	0.5% - 1.0%	1.0%	1.0%	0.5%	0.5%
Discount rate	(1,060)	1,458	(9,963)	11,185	(903)	1,288
Salary increase rate	1,862	(1,391)	11,094	(10,064)	1,487	(1,096)

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive not less than 400 days' compensation at the latest wage rate. This change is considered a post-employment benefits plan amendment and the Company and its subsidiaries have additional liabilities for long-term employee benefits of Baht 7.2 million (The Company only: Baht 6.6 million). The Company and its subsidiaries will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective.

## 26. 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 2017	79,111	31,278	110,389
Increase (decrease) during the year	15,290	(13,906)	1,384
Decrease from actual paid	(25,656)	-	(25,656)
Translation adjustment	(7,397)	(2,907)	(10,304)
As at 31 December 2017	61,348	14,465	75,813
Increase during the year	33,148	7,089	40,237
Decrease from actual paid	(15,776)	-	(15,776)
Translation adjustment	(5,812)	(557)	(6,369)
As at 31 December 2018	72,908	20,997	93,905

## 27. Other non-current liabilities

As at 31 December 2018, an overseas subsidiary had other long-term liability under capital lease agreement from purchase the hauling road and special terminal of USD 2.2 million or approximately Baht 69.8 million (2017: USD 5.6 million or approximately Baht 182.5 million) and portion due within one year is classified as other current liabilities of USD 0.2 million or approximately Baht 7.2 million (2017: USD 1.2 million or approximately Baht 40.3 million).

## 28. 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.

## 29. Provident fund

The Company and a subsidiary and their employees jointly established a provident fund, 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, which 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. The contributions of the Company and the subsidiary for the year 2018 amounting to Baht 8.3 million (the Company only: Baht 4.9 million) (2017: Baht 7.7 million (the Company only: Baht 4.7 million)) were recognised as expenses.

## 30. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Purchase of finished goods	1,656,340	1,995,713	1,168,752	1,744,346
Raw materials and consumables used	1,937,408	1,954,052	-	-
Changes in inventories of finished goods and work in process decrease	37,591	59,247	47,320	44,172
Royalty fee	1,241,609	1,006,223	-	-
Freight and transportation of goods expenses	793,229	654,495	90,541	102,114
Coal winning and conveyance expenses	3,166,592	2,681,015	-	-
Depreciation and amortisation expenses	731,020	681,903	29,622	21,293
Salaries, wages and other employee benefits	371,910	345,631	57,947	48,412
Management benefit expenses	181,517	182,692	37,138	43,246
Electricity and fuel expenses	94,773	101,312	5,351	6,335
Repair and maintenance expenses	65,489	63,747	6,590	6,913
Loss on exchange	32,628	19,550	-	4,923

### 31. Damage from flood event

In October 2017, it was inundated by flood, which caused the collapse of a part of the vinasse reservoirs at the subsidiary's ethanol plant, resulting in overflows of treated vinasse into a village and some related agricultural areas. The subsidiary therefore had to pay compensation and the Ministry of Industry ordered to shut down its ethanol plant temporarily in order to repair the damaged reservoirs to a safe level. The subsidiary investigated the damages and recorded damage from flood event of Baht 73.3 million and Baht 2.3 million in profit or loss for the year 2017 and 2018, respectively. However, the subsidiary has insurance covering the damages on which it is in the process of claiming compensation from the insurance company.

### 32. Income tax

Income tax expenses for the years ended 31 December 2018 and 2017 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(Restated)			
<b>Current income tax:</b>				
Current income tax charge	284,727	486,471	3,047	16,277
Adjustment in respect of income tax of previous year	2,766	(164)	-	-
Withholding tax deducted at source recognised as expenses during the year	130,268	72,080	130,268	72,080
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	31,610	85,265	419	(468)
<b>Income tax expenses reported in the statement of income</b>	<u>449,371</u>	<u>643,652</u>	<u>133,734</u>	<u>87,889</u>

The amount of income tax related to each component of comprehensive income for the years ended 31 December 2018 and 2017 are as follow:

	(Unit: Thousand Baht)			
	For the years ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Deferred tax relating to actuarial loss	<u>(2,458)</u>	<u>2,504</u>	<u>463</u>	<u>-</u>

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		(Restated)		
Accounting profit before tax	<u>1,497,229</u>	<u>1,775,629</u>	<u>735,437</u>	<u>841,889</u>
Applicable tax rate	10% - 30%	10% - 30%	20%	20%
Accounting profit before tax multiplied by income tax rate	401,807	507,917	147,087	168,378
Adjustment in respect of income tax of previous year	2,766	(164)	-	-
Withholding tax deducted at source recognised as expenses during the year	130,268	72,080	130,268	72,080
Effects of:				
Promotional privileges (Note 33)	(39,670)	(14,734)	-	-
Utilisation of tax loss carried forward of previous year	-	(16,926)	-	-
Non-deductible expenses	15,804	20,955	5,687	2,798
Income not subject to tax	(3,946)	(3,982)	(122,826)	(139,263)
Additional expense deductions allowed	(1,837)	(2,201)	(490)	(1,688)
Taxable withholding tax deducted at source expenses	(26,054)	(14,416)	(26,054)	(14,416)
Others	12	(863)	62	-
Total	(55,691)	(32,167)	(143,621)	(152,569)
Investments in subsidiaries	(34,104)	86,813	-	-
Unrecognised tax loss as deferred tax assets	4,318	8,991	-	-
Translation adjustment	7	182	-	-
Income tax expenses reported in the statement of income	<u>449,371</u>	<u>643,652</u>	<u>133,734</u>	<u>87,889</u>

A reconciliation of the book value of deferred tax assets and deferred tax liabilities for the years ended 31 December 2018 and 2017 is presented below.

	Consolidated financial statements				Separate financial statements				(Unit: Thousand Baht)	
	As at 1 January 2018  (Restated)	Recognise to profit or loss	Recognise to other comprehensive income	Translation adjustment	As at 31 December 2018	As at 1 January 2018	Recognise to profit or loss	Recognise to other comprehensive income		As at 31 December 2018
<b>Deferred tax assets</b>										
Provision for long-term employee benefits	57,160	3,228	(2,458)	(361)	57,569	5,941	(419)	463	5,985	
Accumulated depreciation - ore, plant and equipment	21,052	(793)	-	(55)	20,204	13,009	-	-	13,009	
Inventories	2,045	(1,284)	-	(12)	749	-	-	-	-	
Government grants	4,877	373	-	-	5,250	-	-	-	-	
Capital lease	(2,356)	(32,703)	-	103	(34,956)	-	-	-	-	
Others	1,062	(452)	-	-	610	314	-	-	314	
Total	83,840	(31,631)	(2,458)	(325)	49,426	19,264	(419)	463	19,308	
<b>Deferred tax liabilities</b>										
Accumulated amortisation - deferred exploration and development costs and deferred stripping costs	101,495	34,083	-	(798)	134,780	-	-	-	-	
Investments in subsidiaries	86,813	(34,104)	-	(2,314)	50,395	-	-	-	-	
Accumulated depreciation - machinery	3,421	-	-	-	3,421	-	-	-	-	
Total	191,729	(21)	-	(3,112)	188,596	-	-	-	-	
<b>Deferred tax assets (liabilities) - net</b>	<b>(107,889)</b>				<b>(139,170)</b>	<b>19,264</b>			<b>19,308</b>	
<b>Deferred tax assets</b>					<b>22,577</b>				<b>19,308</b>	
<b>Deferred tax liabilities</b>					<b>161,747</b>				<b>-</b>	
<b>Deferred tax assets (liabilities) - net</b>					<b>139,170</b>				<b>19,308</b>	

(Unit: Thousand Baht)

	Consolidated financial statements				Separate financial statements				
	As at 1 January 2017	Recognise to profit or loss	Recognise to other comprehensive income	Translation adjustment	As at	As at 1 January 2017	Recognise to profit or loss	Recognise to other comprehensive income	As at 31 December 2017
					31 December 2017				
	(Restated)				(Restated)				
<b>Deferred tax assets</b>									
Provision for long-term employee benefits	53,115	5,899	2,504	(4,358)	57,160	5,444	497	-	5,941
Accumulated depreciation - ore, plant and equipment	22,749	(873)	-	(824)	21,052	13,009	-	-	13,009
Inventories	3,320	(1,036)	-	(239)	2,045	-	-	-	-
Government grants	4,148	729	-	-	4,877	-	-	-	-
Capital lease	5,075	(7,173)	-	(258)	(2,356)	-	-	-	-
Others	1,695	(633)	-	-	1,062	343	(29)	-	314
Total	90,102	(3,087)	2,504	(5,679)	83,840	18,796	468	-	19,264
<b>Deferred tax liabilities</b>									
Accumulated amortisation - deferred exploration and development costs and deferred stripping costs	116,066	(4,635)	-	(9,936)	101,495	-	-	-	-
Investments in subsidiaries	-	86,813	-	-	86,813	-	-	-	-
Accumulated depreciation - machinery	3,421	-	-	-	3,421	-	-	-	-
Total	119,487	82,178	-	(9,936)	191,729	-	-	-	-
<b>Deferred tax assets (liabilities) - net</b>					(107,889)				19,264
Deferred tax assets					22,876				19,264
Deferred tax liabilities					130,765				-
<b>Deferred tax assets (liabilities) - net</b>					(107,889)				19,264



As at 31 December 2018, the subsidiaries have unused tax losses totaling Baht 80.6 million (2017: Baht 58.3 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 losses amounting to Baht 80.6 million will expire by year 2023.

### 33. 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 2018 and 2017 were domestic sales, which were divided between promoted and non-promoted operations, are summarised below:

	(Unit: Thousand Baht)	
	2018	2017
Revenues from sales		
Promoted operations	1,538,771	1,461,624
Non-promoted operations	1,157,305	1,008,895
Total	2,696,076	2,470,519

### 34. 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 financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u> (Restated)	<u>2018</u>	<u>2017</u>
Profit attributable to equity holders of the Company (Thousand Baht)	600,679	642,628	601,703	754,000
Weighted average number of ordinary shares (Thousand shares)	525,000	525,000	525,000	525,000
Basic earnings per share (Baht)	1.14	1.22	1.15	1.44

### 35. Dividend paid

Dividends paid by the Company and its subsidiaries for the years ended 31 December 2018 and 2017 are as follows:

#### The Company

Dividends	Approved by	Total Dividends (Thousand Baht)	Dividend per share (Baht)	Paid on
<b><u>2018</u></b>				
Final dividends for 2017	Annual General Meeting of the shareholders on 23 April 2018	246,750	0.47	15 May 2018
The interim dividend in respect of operation income for the period from January to June 2018	Board of Directors' meeting on 17 September 2018	236,250	0.45	16 October 2018
Total		<u>483,000</u>	<u>0.92</u>	
<b><u>2017</u></b>				
Final dividends for 2016	Annual General Meeting of the shareholders on 25 April 2017	152,250	0.29	16 May 2017
The interim dividend in respect of operation income for the period from January to June 2017	Board of Directors' meeting on 16 October 2017	210,000	0.40	15 November 2017
Total		<u>362,250</u>	<u>0.69</u>	

In addition, the Annual General Meeting of the shareholders for 2018 approved to set aside a general reserve of Baht 297.2 million (2017: Baht 1.3 million).

## Local subsidiary

### Thai Agro Energy Public Company Limited

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

During the year 2018, the Company received dividend income at 51 percent for a total of Baht 76.5 million (2017: Baht 76.5 million).

## Overseas subsidiaries

### PT. Lanna Harita Indonesia

Dividends	Approved by	Total dividends (Thousand US Dollar)	Dividend per share (US Dollar)	Paid on
<b><u>2018</u></b>				
The third interim dividend for 2017	Board of Directors' meeting on 30 March 2018	10,000	1,250	18 April 2018
Final dividends for 2017	Annual General Meeting of the shareholders on 29 June 2018	5,000	625	26 July 2018
The first interim dividend for 2018	Board of Directors' meeting on 28 September 2018	4,000	500	25 October 2018
Total		19,000	2,375	
<b><u>2017</u></b>				
The third interim dividend for 2016	Board of Directors' meeting on 24 March 2017	6,000	750	24 March 2017
Final dividends for 2016	Annual General Meeting of the shareholders on 12 June 2017	4,000	500	16 June 2017
The first interim dividend for 2017	Board of Directors' meeting on 18 September 2017	6,000	750	18 September 2017
The second interim dividend for 2017	Board of Directors' meeting on 29 November 2017	10,000	1,250	12 December 2017
Total		26,000	3,250	

During the year 2018, the Company received dividend income at 55 percent for a total of USD 10.5 million or equivalent to Baht 333.8 million. The Company had been withheld the withholding tax deducted at source of Baht 66.8 million (2017: dividend income of USD 14.3 million or equivalent to Baht 475.1 million. The Company had been withheld the withholding tax deducted at source of Baht 35.6 million).

## PT. Singlurus Pratama

Dividends	Approved by	Total dividends (Thousand US Dollar)	Dividend per share (US Dollar)	Paid on
<b><u>2018</u></b>				
The third interim dividend for 2017	Board of Directors' meeting on 23 March 2018	5,009	630	12 April 2018
Final dividends for 2017	Annual General Meeting of the shareholders on 29 June 2018	3,021	380	31 July 2018
The first interim dividend for 2018	Board of Directors' meeting on 19 October 2018	993	125	3 December 2018
Total		9,023	1,135	
<b><u>2017</u></b>				
Final dividends for 2016	Annual General Meeting of the shareholders on 22 June 2017	1,988	250	30 June 2017
The first interim dividend for 2017	Board of Directors' meeting on 22 September 2017	1,988	250	26 September 2017
The second interim dividend for 2017	Board of Directors' meeting on 29 November 2017	1,988	250	12 December 2017
Total		5,964	750	

During the year 2018, the Company received dividend income at 65 percent for a total of USD 5.9 million or equivalent to Baht 187.2 million. The Company had been withheld the withholding tax deducted at source of Baht 37.4 million (2017: dividend income of USD 3.9 million or equivalent to Baht 128.4 million. The Company had been withheld the withholding tax deducted at source of Baht 25.7 million).

### **36. 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 2018 and 2017, respectively.

(Unit: Million Baht)

	For the years ended 31 December									
	Domestic		Overseas		Ethanol business		Domestic other business		Total segments	
	2018	2017 (Restated)	2018	2017 (Restated)	2018	2017 (Restated)	2018	2017 (Restated)	2018	2017 (Restated)
Revenue from external customers	1,378	1,942	8,461	7,667	2,696	2,471	-	-	12,535	12,080
Inter-segment revenue	225	215	34	373	-	-	-	-	259	588
Interest income	8	14	15	14	-	-	-	-	23	28
Interest expenses	-	-	23	36	41	33	-	-	64	69
Depreciation and amortisation	30	21	544	516	159	147	-	-	733	684
Share of profit from investment in associated company accounted for by the equity method	12	19	-	-	-	-	-	-	12	19
Income tax expenses	134	88	322	469	27	-	-	-	483	557
<b>Segment profit</b>	<b>387</b>	<b>417</b>	<b>3,660</b>	<b>3,771</b>	<b>438</b>	<b>251</b>	<b>-</b>	<b>-</b>	<b>4,485</b>	<b>4,439</b>
<b>Segment total assets</b>	<b>2,965</b>	<b>2,847</b>	<b>3,724</b>	<b>3,947</b>	<b>3,772</b>	<b>2,830</b>	<b>4</b>	<b>7</b>	<b>10,465</b>	<b>9,631</b>
Investment in associated company accounted for by equity method	24	28	-	-	-	-	-	-	24	28
Additions (decrease) to non-current assets other than financial instruments and deferred tax assets	427	12	172	(295)	358	85	-	-	957	(198)
									3	
									960	(198)

## Geographic information

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

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Revenue from external customers		
Thailand	4,786,148	5,163,230
India	4,495,705	3,498,266
Singapore	1,054,956	1,107,034
Dubai	534,273	1,066,754
South Korea	454,724	339,098
China	289,767	312,629
Others	919,639	593,176
Total	<u>12,535,212</u>	<u>12,080,187</u>
Non-current assets (other than financial instruments and deferred tax assets)		
Thailand	3,731,210	2,951,233
Indonesia	1,572,676	1,396,450
Total	<u>5,303,886</u>	<u>4,347,683</u>

## Major customers

During the year 2018, the Company and its subsidiaries have revenue from 5 major customers in amount of Baht 3,765 million and Baht 1,000 million, arising from sales by the overseas coal business and domestic coal business, respectively (2017: Baht 4,617 million and Baht 1,506 million derived from 5 major customers, arising from sales by the overseas coal business and domestic coal business, respectively).

## 37. Significant contracts and agreements

- 37.1 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. Subsequently on 17 January 2018, the subsidiary amended certain condition in the contract with the Indonesian government.



37.2 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. Subsequently on 17 January 2018, the subsidiary amended certain conditions in the contract with the Indonesian government.

37.3 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.

## **38. Commitments and contingent liabilities**

### **38.1 Capital commitments**

As at 31 December 2018, the Company and a subsidiary had capital commitments of Baht 286.5 million relating to the construction of the Company's coal screening plant and the subsidiaries' construction of Wastewater Evaporation Plant, port loading conveyor, and other construction projects (2017: Baht 14.3 million relating to the construction of the Company's jetty and the subsidiary's Vinasse Evaporation Reservoirs).

### 38.2 Operating lease commitments

- a) 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 2018 and 2017, future minimum payment under these lease and service agreements are as follows:

(Unit: Million Baht)

Payable	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
In up to 1 year	41	33	12	12
In over 1 and up to 5 years	40	43	9	20

- b) On 13 April 2017, PT. Singlurus Pratama ("SGP") entered into the land compensation agreement with PT. Alam Jaya Persada ("AJP") to utilise the palm oil plantation in order to conduct mining activity for 5 years from 2017 to 2021. SGP is to pay fixed service fee for land utilisation and infrastructure based on quantity of production throughout the agreement period in Mutiara site.

### 38.3 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 2018 and 2017, future minimum payments under these agreements are as follows:

(Unit: Million Baht)

Payable	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
In up to 1 year	2.1	2.1	0.9	0.9
In over 1 year and up to 5 years	1.0	1.8	1.0	1.8

- 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 8.7 million (the Company only: Baht 8.7 million) (2017: Baht 17.3 million (the Company only: Baht 17.2 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. For the sixth year onwards, the price is to be determined in each year. 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.

#### **38.4 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.

#### **38.5 Guarantees**

As at 31 December 2018, the Company and its subsidiaries had bank guarantees of approximately Baht 6 million, Rupiah 52,302 million and USD 0.1 million (the Company only: Baht 0.9 million) (2017: Baht 6 million, Rupiah 41,328 million and USD 0.1 million (the Company only: Baht 0.9 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 subsidiaries, guarantee for the Company's and a local subsidiary's contractual performance for using of electric to the Provincial Electricity Authority.

### 39. Litigation

In September 2011, a company sued the subsidiary 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 2011 (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 Court of Appeal. 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. On 18 May 2018, the subsidiary sued that company for bankruptcy case. At present, the case is under the consideration of these courts. As at 31 December 2018, the subsidiary has not received such payment. However, the subsidiary recorded allowance for impairment in advance paid to that company for a whole amount.

### 40. Fair value hierarchy

As at 31 December 2018 and 2017, 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)			
	As at 31 December 2018			
	Consolidated		Separate	
	financial Statements		financial Statements	
	Level 2	Total	Level 2	Total
<b>Asset measured at fair value</b>				
Held for trade investments - Open funds	496,386	496,386	491,050	491,050
<b>Assets for which fair value are disclosed</b>				
Investment property	32,423	32,423	32,423	32,423

(Unit: Million Baht)

	As at 31 December 2017			
	Consolidated		Separate	
	financial Statements		financial Statements	
	Level 2	Total	Level 2	Total
<b>Asset measured at fair value</b>				
Held for trade investments - Open funds	257,298	257,298	249,072	249,072
<b>Assets for which fair value are disclosed</b>				
Investment property	32,423	32,423	32,423	32,423

## 41. Financial instruments

### 41.1 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.

As at 31 December 2018 and 2017, 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 2018						
	Fixed interest rates		Floating	Non-	Total	Interest rate (% per annum)
	Within 1 year	1 - 5 years	interest rate	interest bearing		
<b>Financial assets</b>						
Cash and cash equivalents	234	-	370	1	605	0.10 - 7.50
Current investments	150	-	-	496	646	2.70 - 2.80
Trade and other receivables	-	-	-	1,090	1,090	-
Restricted bank deposits	105	-	-	-	105	0.50 - 6.75
	<u>489</u>	<u>-</u>	<u>370</u>	<u>1,587</u>	<u>2,446</u>	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	1,370	-	-	-	1,370	0.06 - 3.10
Trade and other payables	-	-	-	617	617	-
Liabilities under finance lease agreements	2	1	-	-	3	0.27 - 15.32
Long-term loans	-	-	628	-	628	3MTBFBIX+1.95
	<u>1,372</u>	<u>1</u>	<u>628</u>	<u>617</u>	<u>2,618</u>	

(Unit: Million Baht)

Consolidated financial statements						
As at 31 December 2017						
	Fixed interest rates		Floating	Non-	Total	Interest rate (% per annum)
	Within 1 year	1 - 5 years	interest rate	interest bearing		
<b>Financial assets</b>						
Cash and cash equivalents	522	-	595	11	1,128	0.10 - 7.50
Current investments	577	-	-	257	834	1.30 - 3.40
Trade and other receivables	-	-	-	1,268	1,268	-
Restricted bank deposits	86	-	-	-	86	4.25 - 7.50
	<u>1,185</u>	<u>-</u>	<u>595</u>	<u>1,536</u>	<u>3,316</u>	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	899	-	-	-	899	2.75 - 3.00
Trade and other payables	-	-	-	557	557	-
Liabilities under finance lease agreements	3	3	-	-	6	0.27 - 15.32
Long-term loan	-	-	118	-	118	THBFBIX+1.95
	<u>902</u>	<u>3</u>	<u>118</u>	<u>557</u>	<u>1,580</u>	

(Unit: Million Baht)

Separate financial statements				
As at 31 December 2018				
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	-	156	156	0.10 - 1.10
Current investments	150	-	491	2.70 - 2.80
Trade and other receivables	-	-	188	-
	150	156	679	985
<b>Financial liabilities</b>				
Trade and other payables	-	-	45	-
	-	-	45	-

(Unit: Million Baht)

Separate financial statements				
As at 31 December 2017				
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	100	162	262	0.10 - 1.30
Current investments	577	-	249	1.30 - 3.40
Trade and other receivables	-	-	197	-
	677	162	446	1,285
<b>Financial liabilities</b>				
Trade and other payables	-	-	45	-
	-	-	45	-

### 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 2018				
Foreign currency	Financial assets	Financial liabilities	Exchange rate as at 31 December 2018	
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
			<u>Buying rate</u>	<u>Selling rate</u>
US dollar	6.1	0.01	32.2848	32.6148

As at 31 December 2017				
Foreign currency	Financial assets	Financial liabilities	Exchange rate as at 31 December 2017	
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
			<u>Buying rate</u>	<u>Selling rate</u>
US dollar	7.9	0.1	32.5146	32.8472

As at 31 December 2018, foreign exchange contracts outstanding are summarised below:

As at 31 December 2018			
Foreign currency	Bought amount	Contractual exchange rate for amount bought	Contractual maturity date
	(Million)		
US dollar	0.5	32.54	February 2019

As at 31 December 2017, there was no outstanding foreign exchange contract.

## 41.2 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.

## 42. 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 2018, the Group's debt-to-equity ratio was 0.63:1 (2017: 0.51:1) and the Company's debt-to-equity ratio was 0.04:1 (2017: 0.04:1).



#### 43. Reclassification

The Company reclassified accounts in the income statements for the year ended 31 December 2017 to conform with current period's classification as follows:

			(Unit: Thousand Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	As	As previously	As	As previously
	reclassified	reported	reclassified	reported
<u>Income statements for the year</u>				
Service income	-	-	33,549	48,970
Selling and distribution expense	1,870,046	1,854,625	172,787	172,787
Administrative expense	504,132	519,553	108,076	123,497

#### 44. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised directors on 27 February 2019.