

S 11 Group Public Company Limited  
Report and financial statements  
31 December 2013



Building a better  
working world

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## **Independent Auditor's Report**

To the Shareholders of S 11 Group Public Company Limited

I have audited the accompanying financial statements of S 11 Group Public Company Limited, which comprise the statement of financial position as at 31 December 2013, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

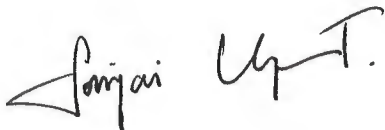
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of S 11 Group Public Company Limited as at 31 December 2013, its financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

## **Other matter**

The financial statements of S 11 Group Public Company Limited as at 31 December 2012 and for the year then ended, presented herein as comparative information, were audited by another auditor who expressed an unqualified opinion on those financial statements, under his report dated 21 February 2013.



Somjai Khunapasut  
Certified Public Accountant (Thailand) No. 4499

EY Office Limited  
(Formerly known as Ernst & Young Office Limited)  
Bangkok: 20 February 2014

**S 11 Group Public Company Limited****Statements of financial position**

As at 31 December 2013

		(Unit: Baht)	
	Note	2013	2012
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	41,145,312	25,040,969
Current portion of hire purchase receivables - net	7	1,232,746,457	802,970,259
Assets foreclosed - net	8	5,545,158	2,375,411
Revenue Department receivables		20,287,344	4,268,026
Prepaid insurance premium		34,936,412	27,242,600
Other current assets	9	17,063,822	8,891,068
<b>Total current assets</b>		<u>1,351,724,505</u>	<u>870,788,333</u>
<b>Non-current assets</b>			
Restricted bank deposits	10	769,688	357,875
Hire purchase receivables - net of current portion - net	7	1,064,213,010	796,126,981
Prepaid insurance premium		12,994,779	10,956,049
Land, building and equipment - net	11	68,559,459	65,357,139
Deferred tax assets	12	26,442,166	6,541,282
Other non-current assets		130,601	480,600
<b>Total non-current assets</b>		<u>1,173,109,703</u>	<u>879,819,926</u>
<b>Total assets</b>		<u><u>2,524,834,208</u></u>	<u><u>1,750,608,259</u></u>

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

**S 11 Group Public Company Limited**  
**Statements of financial position (continued)**  
**As at 31 December 2013**

		(Unit: Baht)	
	Note	2013	2012
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Trade accounts payables		14,432,226	1,427,570
Short-term loans and accrued interest			
from related parties	13	-	56,855,577
Current portion of long-term loans	14	952,055,532	532,707,020
Current portion of liabilities under financial			
lease payables	15	572,220	1,957,754
Income tax payable		26,470,356	16,123,219
Insurance premium payables		10,336,981	8,060,940
Accrued expenses		19,863,588	15,304,212
Other current liabilities		4,930,999	2,913,113
<b>Total current liabilities</b>		<u>1,028,661,902</u>	<u>635,349,405</u>
<b>Non-current liabilities</b>			
Long-term loans - net of current portion	14	651,133,470	555,130,597
Liabilities under financial lease payables -			
net of current portion	15	507,515	336,479
Provision for long-term employee benefits	16	3,525,497	-
<b>Total non-current liabilities</b>		<u>655,166,482</u>	<u>555,467,076</u>
<b>Total liabilities</b>		<u>1,683,828,384</u>	<u>1,190,816,481</u>

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

**S 11 Group Public Company Limited**  
**Statements of financial position (continued)**  
**As at 31 December 2013**

		(Unit: Baht)	
	Note	2013	2012
<b>Shareholders' equity</b>			
Share capital	17		
Registered, issued and fully paid up			
106,600,000 ordinary shares of Baht 5 each		533,000,000	470,000,000
(2012: 94,000,000 ordinary shares of Baht 5 each)			
Share premium	17	90,606,558	4,000,000
Capital reserve for share-based payment transactions	17	15,300,000	-
Retained earnings			
Appropriated - statutory reserve	18	10,105,304	534,778
Unappropriated		191,993,962	85,257,000
<b>Total shareholders' equity</b>		<u>841,005,824</u>	<u>559,791,778</u>
<b>Total liabilities and shareholders' equity</b>		<u><u>2,524,834,208</u></u>	<u><u>1,750,608,259</u></u>

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

.....  
Directors  
.....

**S 11 Group Public Company Limited**  
**Statements of comprehensive income**  
**For the year ended 31 December 2013**

		(Unit: Baht)	
	Note	2013	2012
<b>Profit or loss:</b>			
<b>Revenues</b>			
Hire purchase interest income		661,144,106	388,617,682
Fee and service income		20,822,665	6,631,008
Other income		7,531,869	4,993,452
<b>Total revenues</b>		<u>689,498,640</u>	<u>400,242,142</u>
<b>Expenses</b>			
Selling and administrative expenses	21	126,544,788	90,705,760
Bad debts and doubtful accounts	7.6	189,808,250	102,515,482
Loss on impairment and disposal of assets foreclosed	20	109,212,446	51,427,454
<b>Total expenses</b>		<u>425,565,484</u>	<u>244,648,696</u>
<b>Profit before finance cost and income tax expenses</b>		263,933,156	155,593,446
Finance cost		(114,681,241)	(56,877,764)
<b>Profit before income tax expenses</b>		149,251,915	98,715,682
Income tax expenses	12	(32,944,427)	(23,612,682)
<b>Profit for the year</b>		<u>116,307,488</u>	<u>75,103,000</u>
<b>Other comprehensive income for the year:</b>		-	-
<b>Total comprehensive income for the year</b>		<u><u>116,307,488</u></u>	<u><u>75,103,000</u></u>
<b>Earnings per share</b>			
Basic earnings per share	22	<u>1.22</u>	<u>0.82</u>
Weighted average number of ordinary shares (shares)		<u>95,543,870</u>	<u>91,720,583</u>

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

S 11 Group Public Company Limited  
 Statements of changes in shareholders' equity  
 For the year ended 31 December 2013

(Unit: Baht)

	Issued and fully paid-up share capital	Share premium	Capital reserve for share-based payment transactions	Retained earnings		Total shareholders' equity
				Appropriated - statutory reserve	Unappropriated	
<b>Balance as at 1 January 2012</b>	450,000,000	-	-	-	10,688,778	460,688,778
Increase in share capital during the year (Note 17)	20,000,000	4,000,000	-	-	-	24,000,000
Total comprehensive income for the year	-	-	-	-	75,103,000	75,103,000
Transferred retained earnings to appropriated statutory reserve	-	-	-	534,778	(534,778)	-
<b>Balance as at 31 December 2012</b>	470,000,000	4,000,000	-	534,778	85,257,000	559,791,778
<b>Balance as at 1 January 2013</b>	470,000,000	4,000,000	-	534,778	85,257,000	559,791,778
Increase in share capital during the year (Note 17)	63,000,000	86,606,558	15,300,000	-	-	164,906,558
Total comprehensive income for the year	-	-	-	-	116,307,488	116,307,488
Transferred retained earnings to appropriated statutory reserve	-	-	-	9,570,526	(9,570,526)	-
<b>Balance as at 31 December 2013</b>	533,000,000	90,606,558	15,300,000	10,105,304	191,993,962	841,005,824

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



**S 11 Group Public Company Limited****Cash flows statements****For the year ended 31 December 2013**

	(Unit: Baht)	
	2013	2012
<b>Cash flows from operating activities</b>		
Profit before income tax	149,251,915	98,715,682
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities		
Depreciation	5,691,646	4,466,243
Bad debts and doubtful accounts	189,808,250	102,515,482
Gain on sales of land, building and equipment	(50,652)	
Loss on sales of assets foreclosed	106,772,172	49,841,158
Loss on impairment of assets foreclosed	2,440,274	1,586,296
Provision for long-term employee benefits	3,525,497	-
Expense paid based on share-based payment	15,300,000	-
Hire purchase interest income	(661,144,106)	(388,617,682)
Interest expenses	114,603,232	54,829,765
Loss from operating activities before changes in operating assets and liabilities	(73,801,772)	(76,663,056)
Operating assets (increase) decrease		
Hire purchase receivables	(860,130,519)	(1,078,473,303)
Assets foreclosed	(112,382,192)	(53,402,735)
Revenue Department receivables	(16,019,317)	1,091,375
Prepaid insurance premium	(9,732,542)	(20,505,576)
Other current assets	(18,094,745)	(5,932,507)
Other assets	349,900	(154,705)
Operating liabilities increase (decrease)		
Trade accounts payables	13,004,655	878,040
Insurance premium payables	2,276,040	3,312,280
Accrued expenses	4,616,222	6,804,412
Other current liabilities	2,017,887	1,413,363
Cash flows used in operating activities	(1,067,896,383)	(1,221,632,412)
Cash received from interest	633,604,148	372,706,986
Cash paid for corporate income tax	(42,498,175)	(18,187,311)
Cash paid for interest	(115,398,064)	(53,811,239)
<b>Net cash flows used in operating activities</b>	<b>(592,188,474)</b>	<b>(920,923,976)</b>

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

**S 11 Group Public Company Limited**  
**Cash flows statements (continued)**  
**For the year ended 31 December 2013**

	(Unit: Baht)	
	2013	2012
<b>Cash flows from investing activities</b>		
Increase in restricted bank deposits	(411,713)	(258,244)
Cash receipt for proceed of land, building and equipment	2,082,839	-
Cash paid for acquisition of land, building and equipment	(10,014,633)	(31,454,774)
<b>Net cash used in investing activities</b>	<u>(8,343,507)</u>	<u>(31,713,018)</u>
<b>Cash flows from financing activities</b>		
Proceeds from increase in share capital	149,606,558	24,000,000
Increase in short-term loans from related parties	75,981,216	56,117,592
Repayment of short-term loans from related parties	(132,098,808)	-
Cash receipt from long-term loans	1,273,000,000	1,156,000,000
Repayment of long-term loans	(747,726,623)	(285,921,092)
Repayment of liabilities under financial lease payables	(2,126,019)	(2,527,756)
<b>Net cash flows from financing activities</b>	<u>616,636,324</u>	<u>947,668,744</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	16,104,343	(4,968,250)
Cash and cash equivalents at beginning of year	25,040,969	30,009,219
<b>Cash and cash equivalents at end of year</b>	<u><u>41,145,312</u></u>	<u><u>25,040,969</u></u>
<b>Supplement cash flow information</b>		
Non-cash items		
Purchase of assets by financial lease payables	911,520	1,525,152

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

**S 11 Group Public Company Limited**  
**Notes to financial statements**  
**For the year ended 31 December 2013**

**1. Corporate information**

S 11 Group Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company was converted from a limited company to be a public company and changed its name to S 11 Group Public Company Limited on 18 December 2013. Its major shareholder is S Charter Company Limited which was incorporated in Thailand. The Company is principally engaged in the hire purchase of motorcycles and its registered address is 888 Soi Chatuchot 10, Ao Ngoen, Sai Mai, Bangkok.

As at 31 December 2013, the Company has one branch in Chonburi.

**2. Basis for the preparation of financial statements**

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

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

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

### 3. New accounting standards

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

#### 3.1 Accounting standards that became effective in the current accounting year

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance are not relevant to the business of the Company, except for Financial Reporting Standard No.8 regarding Operating Segments, which the Company disclosed information in the financial statements for the current year, and Accounting Standard No.12 regarding Income Tax, which does not have any impact to the Company's financial statements since the Company early adopted it before the effective date.

### 3.2 Accounting standards that will become effective in the future

		<u>Effective date</u>
Accounting Standards:		
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 7 (revised 2012)	Statement of Cash Flows	1 January 2014
TAS 12 (revised 2012)	Income Taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 19 (revised 2012)	Employee Benefits	1 January 2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014
TAS 36 (revised 2012)	Impairment of Assets	1 January 2014
TAS 38 (revised 2012)	Intangible Assets	1 January 2014
Financial Reporting Standards:		
TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014
Accounting Standard Interpretations:		
TSIC 15	Operating Leases - Incentives	1 January 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29	Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32	Intangible Assets - Web Site Costs	1 January 2014

		<u>Effective date</u>
Financial Reporting Standard Interpretations:		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014

The Company's management believes that these accounting standards, financial reporting standards, accounting standard interpretations and financial reporting standard interpretations will not have any significant impact on the financial statements for the years when they are initially applied.

#### **4. Significant accounting policies**

##### **4.1 Revenue recognition**

###### a) Hire purchase interest income

Hire purchase interest income is recognised on an accrual basis throughout the contract period based on the effective rate method.

The Company ceases accruing income for receivables which installment payment have been defaulted for more than 4 scheduled installment payments, and complete the cancellation process. Interest is then recognised as income on a cash basis until settlement of such overdue balance has been received.

###### b) Fee and service income

Fee and service income are recognised when services have been rendered.

###### c) Penalty income

Penalty income is recognised when received.

## 4.2 Expense recognition

### a) Interest expenses

Interest expenses are charged to expenses on an accrual basis.

### b) Commissions and direct expenses of the hire purchase contracts.

The Company recorded the initial commissions and direct expenses at the inception of hire purchase contract by deferred and amortised those expenses using the effective interest method, with amortisation deducted from unearned income throughout the contract period, in order to reflect the effective rate of return on the contracts. The Company recognised all outstanding deferred initial direct expenses as expenses when the receivables are overdue for more than four installments payment and complete the cancellation process.

Unearned interest income is stated net of commissions and direct expenses incurred at the inception of the contracts.

## 4.3 Cash and cash equivalents

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

## 4.4 Hire purchase receivables

Hire purchase receivables are stated at the contract value net of unearned hire purchase income, which is presented after netting deferred commission and initial direct costs at the inception of the contracts.

## 4.5 Allowance for doubtful accounts

The Company provides allowance for doubtful accounts for hire purchase receivables based on the amount of debts that may not be collectible, determined by analysis of the current status of the receivables. Allowance for doubtful accounts is provided at the percentage of the amount of outstanding receivables net of unearned hire purchase income (net of deferred commissions and direct expenses incurred at the inception of the contracts).

	<u>Provisioning rate</u>
Normal loans and past due no more than 1 installment	1
Past due 2 - 3 installments	2
Past due from 4 installments	100

Increase (decrease) in allowance for doubtful accounts is recorded as expense during the year in part of profit or loss in the statement of comprehensive income. The Company has policy to write-off its receivables when the Company properly made demands for payment and that the matter has been pursued to the extent suitable to the case, and yet debts remains unsettled.

#### **4.6 Assets foreclosed**

Assets foreclosed represent assets repossessed from hire purchase receivables and are stated at the lower of cost and estimated net realisable value.

Gain (loss) on disposal of assets foreclosed are recognised in part of profit or loss in the statement of comprehensive income on disposal date. Impairment loss of assets foreclosed are recognised as expenses in part of profit or loss in the statement of comprehensive income (if any).

#### **4.7 Land, building equipment/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).

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

Building	20 years
Furniture and office equipment	5 years

Depreciation for computers, equipment and motor vehicles is calculated by the reference to their costs, using the sum of the years' digits method over useful lives of 3 - 5 years.

Depreciation is included in determining income.

No depreciation is provided on land and assets under construction.

An item of land, building 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 are recognised in part of profit or loss when the assets are derecognised.

#### **4.8 Borrowing costs**

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



#### **4.9 Related party transactions**

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

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

#### **4.10 Long-term leases**

Leases that transfer substantially all the risks and rewards of ownership to the Company is classified as financial leases. Financial 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 recorded as liabilities, while the interest element is charged to profit or loss over the lease period. Assets acquired under finance leases are depreciated over their estimated useful lives.

#### **4.11 Impairment of assets**

The Company assesses at each reporting date whether there is an indication that land, building and equipment may be impaired. An impairment loss is recognised when the recoverable amount of an asset is less than the carrying amount. An assets recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

An impairment loss is recognised in part of profit or loss (if any).

#### **4.12 Employee benefits**

##### **a) Short-term employee benefits**

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

##### **b) Post-employment benefits (Defined contribution plans)**

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

c) Post-employment benefits (Defined benefit plans)

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

The obligation under the defined benefit plan is determined by the Company's management based on actuarial techniques, using the projected unit credit method.

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

#### **4.13 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 recognises deferred tax liabilities for all taxable temporary differences while it recognises deferred tax assets for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences can be utilised.

At each reporting date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company records deferred tax directly to shareholders' equity if the tax relates to items that are directly recorded to shareholders' equity.

#### **4.14 Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

### **5.1 Allowance for doubtful accounts on hire purchase receivables**

In determining an allowance for doubtful accounts on hire purchase receivables, the management needs to make conservative judgment and estimates the probable loss based upon, among other things, past collection history, historical loss, aging profile of outstanding debts and the prevailing economic condition.

### **5.2 Allowance for impairment of assets foreclosed**

In determining allowance for impairment of assets foreclosed, management apply judgment in estimating the anticipated losses on such assets, based on analysis of various factors, including net realisable value, historical sales data, the age of the assets and the prevailing economic condition.

### **5.3 Land, building and equipment/Depreciation**

In determining depreciation of building and equipment, the management is required to make estimates of the useful lives and salvage values of the Company's building and equipment and to review estimate useful lives and salvage values when there are any changes.

### **5.4 Deferred tax assets**

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future profits.

### **5.5 Post-employment benefits under defined benefit plans**

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

## 6. Cash and cash equivalents

	(Unit: Baht)	
	31 December 2013	31 December 2012
Cash and cash equivalents	85,000	235,000
Bank deposits	41,060,312	24,805,969
Total	<u>41,145,312</u>	<u>25,040,969</u>

As at 31 December 2013 and 2012, bank deposits in savings accounts and fixed deposits are carried interest at the rates between 0.50 - 2.20 percent per annum and 0.88 - 2.20 percent per annum, respectively, as announced by the banks.

## 7. Hire purchase receivables

7.1 As at 31 December 2013 and 2012, the contracted terms of the Company's hire purchase receivables are 12 - 36 installments with payments to be made in equal installments, and interest charged at the fixed rates specified in the contracts. Details are as follows:

	(Unit: Baht)		
	31 December 2013		
	Amounts due within 1 year <sup>(2)</sup>	Amounts due over 1 year	Total
Hire purchase receivables	2,043,820,663	1,375,229,560	3,419,050,223
Less: Unearned hire purchase income <sup>(1)</sup>	(649,465,375)	(290,959,627)	(940,425,002)
Present value of the minimum lease payment receivables	1,394,355,288	1,084,269,933	2,478,625,221
Less: Allowance for doubtful accounts	(161,608,831)	(20,056,923)	(181,665,754)
Hire purchase receivables, net	<u>1,232,746,457</u>	<u>1,064,213,010</u>	<u>2,296,959,467</u>

(1) Presented net of deferred commission and initial direct costs of hire purchase.

(2) The balance of hire purchase receivables due within 1 year including past due receivables.

	(Unit: Baht)		
	31 December 2012		
	Amounts due within 1 year <sup>(2)</sup>	Amounts due over 1 year	Total
Hire purchase receivables	1,328,019,970	1,030,097,836	2,358,117,806
Less: Unearned hire purchase income <sup>(1)</sup>	(472,545,561)	(220,657,285)	(693,202,846)
Present value of the minimum lease payment receivables	855,474,409	809,440,551	1,664,914,960
Less: Allowance for doubtful accounts	(52,504,150)	(13,313,570)	(65,817,720)
Hire purchase receivables, net	<u>802,970,259</u>	<u>796,126,981</u>	<u>1,599,097,240</u>

(1) Presented net of deferred commission and initial direct costs of hire purchase.

(2) The balance of hire purchase receivables due within 1 year including past due receivables.

7.2 As at 31 December 2013 and 2012, the balances of hire purchase receivables (net of unearned hire purchase income) and allowance for doubtful accounts are classified by aging of installment past due as follows:

(Unit: Baht)

Aging	Hire purchase receivables		Percentage of allowance set up by the Company	Allowance for doubtful accounts	
	31 December 2013	31 December 2012		31 December 2013	31 December 2012
	Not yet due	2,021,875,677		1,448,603,834	1
Past due:					
1 month	151,489,874	89,445,273	1	1,514,899	879,426
2 - 3 months	148,293,442	77,061,736	2	2,965,869	1,518,988
4 - 6 months	80,706,024	35,191,667	100	80,706,024	34,762,929
7 - 12 months	62,806,391	12,774,857	100	62,806,391	12,662,055
Over 12 months	13,453,813	1,837,593	100	13,453,813	1,825,855
Total	<u>2,478,625,221</u>	<u>1,664,914,960</u>		<u>181,665,754</u>	<u>65,817,720</u>

7.3 The Notification of the Institute of Certified Accountants and Auditors of Thailand, approved by the Office of the Securities and Exchange Commission, stipulated an accounting guideline for the consumer finance business, whereby recognition of revenue is to cease and full provision is to be recorded for accounts receivable which are overdue by more than 3 installments, and general provision is to be recorded for accounts receivable which are not overdue or overdue by no more than three installments. However, this accounting guideline provides an alternative whereby, in cases where a company believes that the guideline would not be appropriate, it is to disclose the method it uses and the reason.

The Company has a policy to cease recognising revenue from hire purchase receivables which are overdue by more than 4 installments. If the Company had followed the above accounting guideline, the amount of revenue recognised for the year ended 31 December 2013 would be reduced by Baht 7.6 million. However, full allowance is provided for accounts receivable which are overdue by more than 3 installments, and the decision to cease recognising revenue only from hire purchase receivables which are overdue by more than 4 installments therefore has no significant impact on the Company's net profit or loss for the year.

As at 31 December 2013 and 2012, outstanding hire purchase receivables of Baht 69.4 million and Baht 25.6 million, respectively, are overdue by more than 3 installments but revenue was still being recognised (balances before netting unearned hire purchase income).

**7.4** As at 31 December 2013, the Company had hire purchase receivables amounting to Baht 130.27 million (before netting with unearned hire purchase income) for which revenue recognition has ceased (overdue for more than 4 installments) (2012: Baht 40 million).

**7.5** As at 31 December 2013 and 2012, the Company had transferred rights of claim under hire purchase agreements with outstanding balances (before netting with unearned hire purchase income) of Baht 3,928 million and Baht 2,043 million, respectively, in order to secure credit facilities granted by commercial banks as discussed in Note 14 to the financial statements.

**7.6 Allowance for doubtful accounts**

Movements of allowance for doubtful accounts of hire purchase receivables are as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2013	2012
Balance beginning of the year	65,817,720	10,682,705
Add: Doubtful account increase during the year	189,808,250	102,515,482
Less: Bad debt written-off	(73,960,216)	(47,380,467)
Balance end of the year	<u>181,665,754</u>	<u>65,817,720</u>

**8. Assets foreclosed**

	(Unit: Baht)	
	31 December 2013	31 December 2012
Assets foreclosed - cost	9,799,604	4,189,583
Less: Allowance for impairment	(4,254,446)	(1,814,172)
Assets foreclosed - net	<u>5,545,158</u>	<u>2,375,411</u>

**9. Other current assets**

	(Unit: Baht)	
	31 December 2013	31 December 2012
Advance VAT receivable	12,118,973	4,530,104
Other receivable - sales of assets foreclosed	3,999,483	2,953,067
Others	945,366	1,407,897
Total	<u>17,063,822</u>	<u>8,891,068</u>

## 10. Restricted bank deposits

As at 31 December 2013 and 2012, this represents fixed deposits pledged with a commercial bank to secure the issuance of letters of guarantee on behalf of the Company, as discussed in Note 26 to the financial statements, and a deposit used as an employee's security deposit.

## 11. Land, building and equipment

Movements of land, building and equipment during the years ended 31 December 2013 and 2012 are summarised below.

	(Unit: Baht)						
	Land	Building	Furniture and office equipment	Computer and equipment	Motor vehicles	Construction in progress	Total
<b>Cost</b>							
1 January 2012	26,500,000	810,000	1,832,808	1,346,240	5,102,791	2,633,352	38,225,191
Additions	-	-	4,566,118	1,439,465	3,694,069	23,280,274	32,979,926
31 December 2012	26,500,000	810,000	6,398,926	2,785,705	8,796,860	25,913,626	71,205,117
Additions	-	-	913,744	1,784,908	1,044,860	6,045,013	9,788,525
Disposals/written off	-	-	(323,270)	-	-	(672,280)	(995,550)
Transferred in (out)	4,692,489	25,513,741	375,039	-	-	(30,581,269)	-
31 December 2013	31,192,489	26,323,741	7,364,439	4,570,613	9,841,720	705,090	79,998,092
<b>Accumulated depreciation</b>							
1 January 2012	-	(18,280)	(150,474)	(431,742)	(781,239)	-	(1,381,735)
Depreciation during the year	-	(39,000)	(694,143)	(978,923)	(2,754,177)	-	(4,466,243)
31 December 2012	-	(57,280)	(844,617)	(1,410,665)	(3,535,416)	-	(5,847,978)
Depreciation during the year	-	(722,719)	(1,409,982)	(1,088,349)	(2,470,596)	-	(5,691,646)
Depreciation for disposals/written off	-	9,643	91,348	-	-	-	100,991
31 December 2013	-	(770,356)	(2,163,251)	(2,499,014)	(6,006,012)	-	(11,438,633)
<b>Net book value</b>							
31 December 2012	26,500,000	752,720	5,554,309	1,375,040	5,261,444	25,913,626	65,357,139
31 December 2013	31,192,489	25,553,385	5,201,188	2,071,599	3,835,708	705,090	68,559,459
<b>Depreciation charge for the years ended 31 December</b>							
2012							4,466,243
2013							5,691,646

For the year ended 31 December 2013, interest from borrowing of Baht 304,260 was capitalised as costs of the Company's building (2012: Baht 1.3 million). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 7.375% per annum.

As at 31 December 2013, the Company had pledged land and premises thereon with net book values amounting to Baht 58.32 million as collateral against credit facilities received from the financial institution as mentioned in Note 14 to the financial statements.

As at 31 December 2013, the Company had vehicles under finance lease agreements with net book values amounting to Baht 3.11 million. These vehicles will be registered in the name of the Company after the Company completes payment and exercises its purchase option.

## 12. Deferred tax assets/income tax expenses

### 12.1 Deferred tax assets

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

	(Unit: Baht)	
	31 December 2013	31 December 2012
<b>Deferred tax assets</b>		
Allowance for doubtful accounts	36,333,151	13,163,544
Allowance for impairment of assets foreclosed	850,889	362,834
Provision for long-term employee benefits	705,099	-
Total	<u>37,889,139</u>	<u>13,526,378</u>
<b>Deferred tax liabilities</b>		
Deferred commission and initial direct cost from hire purchase contracts	11,446,973	6,985,096
Total	<u>11,446,973</u>	<u>6,985,096</u>
Deferred tax - net	<u>26,442,166</u>	<u>6,541,282</u>

### 12.2 Income tax expenses

Corporate income tax for the year ended 31 December 2013 was calculated at the rate of 20% (2012: 23%) on income before tax after adding back certain provisions and expenses which are disallowable for tax computation purposes, and adjusted by deferred tax expenses.

Income tax expenses for the years ended 31 December 2013 and 2012 are as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2013	2012
<b>Current income tax:</b>		
Current income tax charge for the year	52,845,311	31,309,132
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	(19,900,884)	(8,626,020)
Effect of changes in the applicable tax rates	-	929,570
<b>Income tax expenses reported in the statements of comprehensive income</b>	<u>32,944,427</u>	<u>23,612,682</u>



Reconciliations between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2013 and 2012 are as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2013	2012
Accounting profit before tax	149,251,915	98,715,682
Applicable tax rates	20%	23%
Accounting profit before tax multiplied by applicable tax rates	29,850,383	22,704,607
Effects of changes in the applicable tax rates	-	929,570
Tax effect of tax-exempt income and disallowed expenses	3,094,044	(21,495)
Income tax expenses reported in the statements of comprehensive income	<u>32,944,427</u>	<u>23,612,682</u>

### 13. Short term loans and accrued interest from related parties

As at 31 December 2012, these short-term loans were in the form of promissory notes from directors and shareholders of the Company for use as working capital. The loans were due at call and carried interest at MLR, MLR + 0.5% and 8% per annum. During 2013, the Company repaid all principal and interest.

## 14. Long-term loans

The long-term loans, which the Company obtained from a local financial institution, are detailed below.

				(Unit: Baht)	
Facility no.	Loan facility	Interest rate (% per annum)	Repayment schedule	31 December 2013	31 December 2012
1	Loan agreement dated 29 August 2011	MLR + 0.5	Payment in 30 equal installments, with the first installment payable on the last day of the month of the first drawdown	96,092,372	279,570,023
2	Loan agreement dated 2 March 2012	MLR + 0.5	Payment in 30 equal installments, with the first installment payable on the last day of the month of the first drawdown	196,039,440	393,200,582
3	Loan agreement dated 2 March 2012	MLR	Installments payment, as specified in the agreement, over 12 years, with the first installment due on 7 June 2012	11,907,041	12,637,461
4	Loan agreement dated 2 March 2012	MLR	Installments payment, as specified in the agreement, over 12 years, with the first installment due in the 13 <sup>th</sup> month after the loan drawdown	26,400,114	27,000,000
5	Loan agreement dated 26 July 2012	MLR + 0.5	Payment in 30 equal installments, with the first installment payment on the last day of the month of the first drawdown	751,818,015	375,429,551
6	Loan agreement dated 12 December 2012	MLR + 0.5	Payment in 30 equal installments, with the first installment payment on the last day of the month of the first drawdown	271,024,033	-
7	Loan agreement dated 24 October 2013	MLR	Payment in 30 equal installments, with the first installment payment on the last day of the month of the first drawdown	259,829,979	-
Total				<u>1,613,110,994</u>	<u>1,087,837,617</u>
Less: Deferred loans issuing costs				(9,921,992)	-
Long-term loans				1,603,189,002	1,087,837,617
Less: current portion due within 1 year				(952,055,532)	(532,707,020)
Long-term loans, net of current portion				<u>651,133,470</u>	<u>555,130,597</u>

Loans facilities no. 1, 2, 5, 6 and 7 are for use in the expansion of the Company's business. The Company has to comply with loan covenants regarding, among other things, the maintenance of the proportion of shareholding of the major shareholders, dividend payment, maintenance of debt to equity ratio and maintenance of ratios of overdue hire purchase receivables to total hire purchase receivables, and total hire purchase receivables to debts, as well as prohibitions on the disposal of assets or rights of claim under hire purchase agreements and prohibition from entering into new debt agreements. And these loan facilities are secured by the transfer of rights of claim under hire purchase agreements and motorcycle registrations as requested by the commercial bank, and also guaranteed by the shareholders, managing directors and management of the Company.

Loan facilities no. 3 and 4 are for use in building construction. These loan facilities are secured by the Company's land and premises thereon and also guaranteed by the shareholders, managing directors and management of the Company.

As at 31 December 2013, the long-term credit facilities of the Company which have not yet been drawn down amounted to Baht 736.70 million.

Movements in the long-term loans account during the year ended 31 December 2013 is summarised below.

	(Unit : Baht)
Balance at the beginning of year	1,087,837,617
Add: Addition borrowings during the year	1,273,000,000
Less: Loans repayment during the year	<u>(747,726,623)</u>
Balance at the end of year	<u>1,613,110,994</u>

#### 15. Liabilities under finance lease payables

Liabilities under financial lease payables as at 31 December 2013 and 2012 are comprised of:

	(Unit: Baht)	
	<u>31 December 2013</u>	<u>31 December 2012</u>
Liabilities under finance lease payables	1,141,533	2,360,882
Less : Deferred interest expenses	<u>(61,798)</u>	<u>(66,649)</u>
Total	1,079,735	2,294,233
Less : Portion due within one year	<u>(572,220)</u>	<u>(1,957,754)</u>
Liabilities under finance lease payables - net of current portion	<u>507,515</u>	<u>336,479</u>

As at 31 December 2013, the Company has entered into finance lease agreements with a commercial bank and leasing companies in order to lease 5 motor vehicles for use in its operations, whereby it is committed to pay rental fee on a monthly basis. The term of the agreements are generally 2 years and 3 years.

Under these agreements, the Company has an option to purchase the assets at the end of the contracts and has to comply with conditions specified in the agreements.

As at 31 December 2013, the Company had commitment to pay minimum lease payments under the finance lease agreements as follows:

	(Unit: Baht)		
	Less than		
	1 year	1 - 5 years	Total
Minimum lease payment	609,812	531,721	1,141,533
Deferred interest expenses	(37,592)	(24,206)	(61,798)
Present value of minimum lease payment	<u>572,220</u>	<u>507,515</u>	<u>1,079,735</u>

#### 16. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensation payable upon employees' retirement, for the year ended 31 December 2013 was as follows:

	(Unit: Baht)
Balance of the at beginning of year	-
Amount recognised in profit or loss	
Current service cost	2,600,613
Interest cost	809,033
Actuarial loss	115,851
Balance at the end of year	<u>3,525,497</u>

Principal actuarial assumptions at the valuation date were as follows:

	31 December 2013
	(% per annum)
Discount rate	4.43
Future salary increase rate	7.50
Staff turnover rate	16.82

#### 17. Share capital - Capital increase

On 9 July 2012, the Extraordinary Shareholders' meeting No. 1/2555 approved the increase of the Company's registered share capital from Baht 450 million to Baht 500 million (100 million ordinary shares with a par value of Baht 5 each) by issuing 10 million new ordinary shares with a par value of Baht 5 each. On 31 July 2012, the Company issued 4 million new ordinary shares and called up additional share capital at Baht 6 per share. It registered the increase of its share capital from Baht 450 million to Baht 470 million (94 million ordinary shares of Baht 5 each) with the Ministry of Commerce and recorded share premium of Baht 4 million.

On 25 September 2013, the Extraordinary Shareholders' Meeting No. 2/2556 approved the increase of the Company's registered share capital from Baht 500 million to Baht 550 million (110 million ordinary shares with a par value of Baht 5 each) by issuing 10 million new ordinary shares with a par value of Baht 5 each.

During the year 2013, a meeting of the Company's Board of Directors approved the following capital increase and call up of capital, pursuant to a resolution passed by an extraordinary shareholders' meeting:

Registration date	No. of shares issued (shares)	Offer price (Baht)
22 March 2013	220,767	6.5
27 May 2013	248,319	7.0
30 August 2013	339,000	7.5
28 November 2013	1,800,000	5.0
28 November 2013	9,991,914	13.5

On 9 December 2013, the Extraordinary Shareholders' meeting No. 3/2556 approved the cancellation of the uncalled portion of the registered shares capital, consisting of 3,400,000 shares with a par value of Baht 5. As a result, as at 31 December 2013, the Company had paid up share capital of 106,600,000 shares of Baht 5 per share, or Baht 533,000,000.

#### **Capital reserve for share-based payment transactions**

During 2013, the Company paid benefits totaling Baht 9 million to three of its directors or shareholders, since those directors or shareholders provided service to facilitate the Company's achievement of objectives, under a management agreement. In addition, the Company agreed to grant those directors or shareholders right to subscribe to a total of 1.8 million ordinary shares of the Company with a par value of Baht 5 each, and the Company issued the additional ordinary shares to support this subscription on 27 November 2013. Such issue is under the scope of Financial Reporting Standard No. 2 regarding share-based payments and the Company therefore recognised the fair value of the service received. The fair value of this transaction is linked to the fair value of the ordinary shares, which can be estimated reliably. The reference for fair value is the offer price of the ordinary shares that the Company issued to all shareholders in proportion to their holdings in the Company's shares in the following day. The difference between the selling price and the fair value, which amounted to Baht 15.3 million, was recognised as administrative expenses in the statement of comprehensive income for the current year and recorded as capital reserve for share-based payment transactions in shareholder's equity in the statements of financial position.

## 18. 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 income 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.

On 18 April 2013, the 2013 Annual General Meeting of the Company's shareholders approved the appropriation of Baht 3,755,151 of profit for the year ended 31 December 2012 to the statutory reserve. In addition, on 31 December 2013, the Company set aside Baht 5,815,375 of the profit for the year ended 31 December 2013 to the statutory reserve, and will propose this to the 2014 Annual General Meeting of the Company's shareholders for approval.

## 19. Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business and boost the value of the holdings of the Company's shareholders. As at 31 December 2013, the Company had a debt-to-equity ratio of 2.00:1 (2012: 2.13:1).

## 20. Loss on impairment and disposal of assets foreclosed

	(Unit: Baht)	
	For the years ended 31 December	
	2013	2012
Loss on impairment of assets foreclosed	2,440,274	1,586,296
Loss on disposal of assets foreclosed	106,772,172	49,841,158
Total	<u>109,212,446</u>	<u>51,427,454</u>

## 21. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2013	2012
Salary and wages and other employee benefits	83,655,287	68,694,130
Legal advisor and financial management advisor fee	25,429,019	-
Depreciation	5,691,646	4,466,243
Stamp duties and postal expenses	4,894,237	3,584,982
Expense relating demands for payment	3,329,563	1,887,461
Miscellaneous expenses	2,410,664	1,389,789
Utilities expenses	2,850,305	2,447,915
Registration expenses	2,838,521	1,522,175

## 22. Earnings per share

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

## 23. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 3 percent of basic salary. The fund, which is managed by Ayudhya Fund Management, will be paid to employees upon termination in accordance with the fund rules. During the year 2013, the Company contributed Baht 1.14 million to the fund.

## 24. Segment information

The Company operations involve a single reportable operating segment of hire purchase of motorcycles and are carried on in the single geographical area of Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that the Company's chief operating decision maker (Managing Director) used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area. In addition, the Company has no major customer with reserve of 10 percent or more of an entity's revenues during the year 2013 and 2012.

## 25. Related party transactions

### 25.1 Significant business transactions with its related parties during the year

During the years 2013 and 2012, the Company had significant business transaction with its 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: Baht)

	For the years ended		Transfer pricing policy (for the year 2013)
	31 December		
	2013	2012	
<b>Transaction with directors and shareholders</b>			
Interest expenses	6,537,480	1,560,377	8% per annum

## 25.2 Outstanding balances with its related parties

The balances between the Company and those related parties as at 31 December 2013 and 2012 and movements in the balances are as follows:

(Unit: Baht)

	For the year ended 31 December 2013			31 December 2013
	31 December 2012	Increase	Decrease	
Short-term loans from				
directors and shareholders	56,117,592	75,981,216	(132,098,808)	-
Interest payable to directors				
and shareholders	737,985	6,537,480	(7,275,465)	-

## 25.3 Director and management benefits

During the years 2013 and 2012, the Company incurred the following employee benefit expenses payable to its directors and management.

(Unit: Baht)

	For the years ended 31 December	
	2013	2012
Short-term employee benefits	19,043,715	13,159,214
Post-employment benefits	2,378,209	-
Total	21,421,924	13,159,214

In addition, the Company paid benefit to directors and shareholders under management agreement as discussed in Note 17 to the financial statements.

## 26. Commitment - guarantees

As at 31 December 2013 and 2012, there was an outstanding bank guarantee of Baht 10,000 issued by a bank on behalf of the Company as a guarantee for a post office box.

## 27. Financial instruments

### 27.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, hire purchase receivables, restricted bank deposits, account payables, short-term and long-term loans, and liabilities under financial lease agreements. The financial risks associated with these financial instruments and how they are managed is described below.



### **Credit risk**

The Company is exposed to credit risk primarily with respect to hire purchase receivables. The Company manages the risk by adopting appropriate credit control policies and procedures. In addition, the Company does not have high concentration of credit risk since it has a large customer base. Therefore, the Company does not expect to incur material financial losses in excess of the allowance for doubtful accounts it has already provided.

### **Interest rate risk**

Interest rate risk is the risk that the value of financial instrument will fluctuate as a result of changes in market interest rates.

The Company's exposure to interest rate risk relates primarily to its deposits at banks, hire purchase receivables, restricted bank deposits, trade accounts payables short-term and long-term loans, and liabilities under financial lease agreements.

Significant financial assets and liabilities as at 31 December 2013 and 2012 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: Baht)

Transactions	31 December 2013				
	Fixed interest rate		Floating interest rate	Non-interest bearing	Total
	Repricing or maturity date				
	Within 1 year	Over 1-5 years			
<b><u>Financial assets</u></b>					
Cash and cash equivalents	-	-	-	41,145,312	41,145,312
Hire purchase receivables, net	1,232,746,457	1,064,213,010	-	-	2,296,959,467
Restricted bank deposits	10,435	-	759,253	-	769,688
<b><u>Financial liabilities</u></b>					
Trade accounts payables	-	-	-	14,432,226	14,432,226
Long-term loans	-	-	1,603,189,002	-	1,603,189,002
Liabilities under financial lease agreements	572,220	507,515	-	-	1,079,735

(Unit: Baht)

31 December 2012

Transactions	Fixed interest rate				Total
	Repricing or maturity date		Floating interest rate	Non-interest bearing	
	Within 1 year	Over 1-5 years			
<b>Financial assets</b>					
Cash and cash equivalents	-	-	10,195,503	14,845,466	25,040,969
Hire purchase receivables, net	802,970,259	796,126,981	-	-	1,599,097,240
Restricted bank deposits	357,875	-	-	-	357,875
<b>Financial liabilities</b>					
Trade accounts payables	-	-	-	1,427,570	1,427,570
Short-term loans from related parties	56,117,592	-	-	-	56,117,592
Long-term loans	-	-	1,087,837,617	-	1,087,837,617
Liabilities under financial lease agreements	1,957,754	336,479	-	-	2,294,233

**Liquidity risk**

Liquidity risk is the risk that the Company will be unable to liquidate their financial assets and/or procure sufficient funds to discharge their obligations in a timely manner, resulting in the incurrence of a financial loss.

Counting from the financial position date, the periods to maturity of financial instruments held as at 31 December 2013 and 2012 are as follows:

(Unit: Baht)

31 December 2013

Transactions	31 December 2013				Total
	At call	Within 1 year	Over 1 year	No specific maturity	
<b>Financial assets</b>					
Cash and cash equivalents	41,145,312	-	-	-	41,145,312
Hire purchase receivables, net <sup>(1)</sup>	-	1,232,746,457	1,064,213,010	-	2,296,959,467
Restricted bank deposits	-	-	-	769,688	769,688
<b>Financial liabilities</b>					
Trade accounts payables	-	14,432,226	-	-	14,432,226
Long-term loans	-	952,055,532	651,133,470	-	1,603,189,002
Liabilities under financial lease agreements	-	572,220	507,515	-	1,079,735

(1) The outstanding balance of hire purchase receivables which have maturity within 1 year included past due receivables.

(Unit: Baht)

31 December 2012

Transactions	At call	Within 1 year	Over 1 year	No specific maturity	Total
<b><u>Financial assets</u></b>					
Cash and cash equivalents	25,040,969	-	-	-	25,040,969
Hire purchase receivables, net <sup>(1)</sup>	-	802,970,259	796,126,981	-	1,599,097,240
Restricted bank deposits	-	-	-	357,875	357,875
<b><u>Financial liabilities</u></b>					
Trade accounts payables	-	1,427,570	-	-	1,427,570
Short-term loans from related parties	-	56,117,592	-	-	56,117,592
Long-term loans	-	532,707,020	555,130,597	-	1,087,837,617
Liabilities under financial lease agreements	-	1,957,754	336,479	-	2,294,233

(1) The outstanding balance of hire purchase receivables which have maturity within 1 year included past due receivables.

## 27.2 Fair values of financial instruments

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Methodology of fair value measurement depends upon characteristics of the financial assets and liabilities. The Company establishes fair value of its financial instruments by adopting the following assumptions:

- a) For short-term maturity financial assets and liabilities, including deposits with financial institutions, trade accounts payables, short-term loans, and liabilities under financial lease payables, the carrying amounts at the reporting date are considered to be a reasonable approximation of their fair value.
- b) For hire purchase receivables, fair values are the carrying amount net of unearned hire purchase income and allowance for doubtful accounts.
- c) Long-term loans carry interest at the rates close to the market rates, fair value is the carrying amount stated in the statement of financial position.

As at 31 December 2013 and 2012, the Company expected that the fair value of its financial instruments are not materially different from the amounts presented in statement of financial position.

## 28. Reclassification

The Company has reclassified certain amounts in the financial statements as at 31 December 2012 to conform to the current year's classifications with no effect to previously reported profit and shareholders' equity. Moreover, the Company did not present its statement of financial position as at 1 January 2012 for comparative information because the reclassification had no effect to that year's statement of financial position.

(Unit: Baht)

	31 December 2012	
	As reclassified	As previously reported
<b>Statements of financial position</b>		
<u>Current assets</u>		
Current portion of hire purchase receivables - net	802,970,259	796,362,139
Prepaid insurance premium	27,242,600	-
Other current assets	8,891,068	47,089,717
<u>Non - current assets</u>		
Hire purchase receivables - net of current portion - net	796,126,981	802,735,101
Prepaid insurance premium	10,956,049	-
<u>Current liabilities</u>		
Short-term loans and accrued interest from related parties	56,855,577	-
Short-term loans from directors	-	56,117,592
Accrued expenses	15,304,212	16,042,197

(Unit: Baht)

	For the year ended 31 December 2012	
	As reclassified	As previously reported
<b>Statements of comprehensive income</b>		
<u>Expenses</u>		
Selling and administrative expenses	90,705,760	92,128,325
Loss on impairment and disposal of assets foreclosed	51,427,454	-
Loss on disposal of assets foreclosed	-	49,841,158
Finance cost	56,877,764	57,041,495

**29. Events after the reporting period**

On 20 February 2014, the Company's Board of Directors Meeting no. 2/2557 resolved to approve a capital increase, through the issue of 16,000,000 new shares with a par value of Baht 5 per share, via an initial public offering at a price not less than par value of the share, after the Company receives authorisation from the relevant authorities in accordance with the Securities and Exchange Commission Act. This resolution will be proposed to the 2014 Annual General Meeting of the Company's shareholders for approval.

**30. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 20 February 2014.