

S 11 Group Public Company Limited
Report and financial statements
31 December 2016



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Independent Auditor's Report

To the Shareholders of S 11 Group Public Company Limited

Opinion

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 2016, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 2016, its 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 Company in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, 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 describe below.

Allowance for doubtful accounts for hire purchase receivables

As discussed in Note 4.5 to the financial statements, the estimation of allowance for doubtful accounts of hire purchase receivables was based on the estimated possible losses from uncollectible receivables, taking into account the status of outstanding receivables and various assumptions. The management is required to exercise considerable judgment in determining the assumptions to be used in estimating allowances for losses that are expected to be incurred as result of debtors being unable to make payment and determining the timing of the recognition of such allowances. Furthermore, the estimation of allowance for doubtful accounts is significant because, as at 31 December 2016, the Company had balances of hire purchase receivables of Baht 4,384 million and allowance for doubtful accounts of Baht 490 million (the net amount represent 91% of total assets). Therefore, I addressed the adequacy of allowance for doubtful accounts for hire purchase receivables as a key audit matter.

I gained an understanding of the internal controls relevant to the recording of transactions, collection of debts and receipt of payment from debtors, and the procedures for the estimation of the allowance for doubtful accounts by making enquiry of the responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. I assessed the method applied by the Company in calculating the allowance for doubtful accounts by reviewing the credibility of key information to its sources, performing comparative analysis of the assumptions that the Company used and the historical and outsourced data. In addition, I evaluated the consistency of the application of assumptions, sample tested the completeness and correctness of the data used in the calculation of the allowance for doubtful accounts, and tested on a sampling basis the aging of outstanding debts and the calculation of allowance for doubtful accounts.

Revenue recognition - Hire purchase interest income

The Company's policy on recognition of interest income is discussed in Note 4.1 to the financial statements. In 2016, most of the Company's revenue consisted of interest income from hire purchase contracts, which amounted to Baht 1,208 million (representing 92 percent of total revenue). Hire purchase interest income was derived from hire purchase agreements with a large number of customers, most of whom are retail customers, and recognition is reliant on data processing by information technology systems. Therefore, I addressed the amount and timing of the recognition of hire purchase interest income as a key audit matter.

I assessed and tested the Company's computer - based controls and its internal controls related to the loan origination, loan receipt and interest revenue recognition processes by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. In addition, I applied a sampling method to select hire purchase agreements to assess whether the recording of hire purchase agreements and the revenue recognition were consistent with the conditions of the relevant agreements and were in compliance with the Company's policy. In addition, I performed analytical procedures on the recognition of interest income throughout the year, the cessation of recognition of interest revenue and applied a sampling method for accounting entries related to interest income recognition that were made through journal vouchers.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Company, but does not include the financial statements and my auditor's report thereon.

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. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 judgment 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- 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 Company'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 Company 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.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is
Ms. Somjai Khunapasut

Somjai Khunapasut
Certified Public Accountant (Thailand) No. 4499

EY Office Limited
Bangkok: 14 February 2017

S 11 Group Public Company Limited

Statements of financial position

As at 31 December 2016

(Unit: Baht)

	Note	2016	2015
Assets			
Current assets			
Cash and cash equivalents	6	4,948,506	41,321,048
Current portion of hire purchase receivables - net	7	2,038,475,099	1,761,881,528
Assets foreclosed - net	8	8,478,179	6,498,696
Revenue Department receivables		33,926,562	32,259,654
Prepaid insurance premium		75,061,831	47,972,239
Other current assets	9	70,195,892	28,928,308
Total current assets		2,231,086,069	1,918,861,473
Non-current assets			
Restricted bank deposits	10	537,057	1,758,465
Hire purchase receivables - net of current portion	7	1,855,779,328	1,562,533,065
Prepaid insurance premium		30,682,151	18,067,482
Land, building and equipment - net	11	82,972,707	79,126,517
Deferred tax assets	12	82,067,350	63,000,404
Other non-current assets		223,950	212,600
Total non-current assets		2,052,262,543	1,724,698,533
Total assets		4,283,348,612	3,643,560,006

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 2016

(Unit: Baht)

	Note	2016	2015
Liabilities and shareholders' equity			
Current liabilities			
Bank overdraft	13	-	50,000,000
Trade accounts payables		9,521,799	3,136,150
Current portion of long-term loans	15	777,146,012	939,133,131
Current portion of liabilities under financial lease agreements	17	456,728	1,175,434
Short-term loans	14	325,492,123	422,338,883
Income tax payable		58,790,052	57,072,722
Insurance premium payables		18,444,426	13,778,798
Accrued expenses		28,299,306	18,443,607
Other current liabilities		19,114,878	20,698,997
Total current liabilities		1,237,265,324	1,525,777,722
Non-current liabilities			
Long-term loans - net of current portion	15	481,214,537	390,983,641
Debt issued - debentures	16	647,824,289	-
Liabilities under financial lease agreements - net of current portion	17	-	456,728
Provision for long-term employee benefits	18	8,403,504	6,492,528
Total non-current liabilities		1,137,442,330	397,932,897
Total liabilities		2,374,707,654	1,923,710,619

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 2016

(Unit: Baht)

	Note	2016	2015
Shareholders' equity			
Share capital			
Registered			
613,000,000 ordinary shares of Baht 1 each		613,000,000	613,000,000
Issued and fully paid-up			
613,000,000 ordinary shares of Baht 1 each	19	613,000,000	613,000,000
Share premium	19	427,822,558	427,822,558
Capital reserve for share-based payment transactions		15,300,000	15,300,000
Retained earnings			
Appropriated - statutory reserve	21	59,478,174	38,406,028
Unappropriated		793,040,226	625,320,801
Total shareholders' equity		1,908,640,958	1,719,849,387
Total liabilities and shareholders' equity		4,283,348,612	3,643,560,006

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 2016

(Unit: Baht)

	Note	2016	2015
Profit or loss:			
Revenues			
Hire purchase interest income		1,207,904,169	1,068,497,872
Fee and service income		53,035,136	48,078,800
Other income		49,140,867	18,049,971
Total revenues		<u>1,310,080,172</u>	<u>1,134,626,643</u>
Expenses			
Selling and administrative expenses	22	260,016,449	214,006,685
Bad debts and doubtful accounts	7.6	255,763,046	204,526,270
Loss on impairment and disposal of assets foreclosed	23	147,688,718	137,584,449
Total expenses		<u>663,468,213</u>	<u>556,117,404</u>
Profit before finance cost and income tax expenses		646,611,959	578,509,239
Finance cost		(119,887,037)	(137,347,324)
Profit before income tax expenses		526,724,922	441,161,915
Income tax expenses	12	(105,282,007)	(88,169,505)
Profit for the year		<u>421,442,915</u>	<u>352,992,410</u>
Other comprehensive income:			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Actuarial gain (loss)		360,786	(221,133)
Income tax relating to actuarial gain (loss)	12	(72,157)	44,227
Other comprehensive income for the year (loss)		<u>288,629</u>	<u>(176,906)</u>
Total comprehensive income for the year		<u><u>421,731,544</u></u>	<u><u>352,815,504</u></u>
Earnings per share			
Basic earnings per share	24	0.69	0.59
Weight average number of ordinary shares (shares)		<u>613,000,000</u>	<u>602,917,808</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 2016

(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	
Balance as at 1 January 2015	533,000,000	90,606,558	15,300,000	20,756,407	394,364,918	1,054,027,883
Profit for the year	-	-	-	-	352,992,410	352,992,410
Other comprehensive income for the year (loss)	-	-	-	-	(176,906)	(176,906)
Total comprehensive income for the year	-	-	-	-	352,815,504	352,815,504
Proceeds from increase in share capital (Note 19)	80,000,000	337,216,000	-	-	-	417,216,000
Dividend paid (Note 26)	-	-	-	-	(104,210,000)	(104,210,000)
Transferred unappropriate retained earnings to statutory reserve	-	-	-	17,649,621	(17,649,621)	-
Balance as at 31 December 2015	613,000,000	427,822,558	15,300,000	38,406,028	625,320,801	1,719,849,387
Balance as at 1 January 2016	613,000,000	427,822,558	15,300,000	38,406,028	625,320,801	1,719,849,387
Profit for the year	-	-	-	-	421,442,915	421,442,915
Other comprehensive income for the year	-	-	-	-	288,629	288,629
Total comprehensive income for the year	-	-	-	-	421,731,544	421,731,544
Dividend paid (Note 26)	-	-	-	-	(232,939,973)	(232,939,973)
Transferred unappropriated retained earnings to statutory reserve	-	-	-	21,072,146	(21,072,146)	-
Balance as at 31 December 2016	613,000,000	427,822,558	15,300,000	59,478,174	793,040,226	1,908,640,958

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 2016

	(Unit: Baht)	
	2016	2015
Cash flows from operating activities		
Profit before income tax	526,724,922	441,161,915
Adjustments to reconcile profit before income tax to net cash provided by (paid) from operating activities		
Depreciation	6,201,259	7,156,459
Bad debts and doubtful accounts	255,763,046	204,526,270
Gain on disposal of assets	(71,367)	(193,235)
Loss on written-off assets	8,711	19,487
Loss (reversal) on impairment of assets foreclosed	1,173,656	(1,307,012)
Provision for long-term employee benefits	2,271,762	1,130,985
Hire purchase interest income	(1,207,904,169)	(1,068,497,872)
Interest expenses	119,887,037	137,347,324
Loss from operating activities before changes in operating assets and liabilities	(295,945,143)	(278,655,679)
Operating assets (increase) decrease		
Hire purchase receivables	(811,055,146)	(682,207,938)
Assets foreclosed	(3,153,139)	2,984,130
Revenue Department receivables	(1,666,908)	(9,199,524)
Prepaid insurance premium	(39,704,261)	(9,570,093)
Other current assets	(41,267,584)	(5,533,308)
Other non-current assets	(11,350)	(76,000)
Operating liabilities increase (decrease)		
Trade accounts payables	6,385,649	513,742
Insurance premium payables	4,665,628	3,124,720
Accrued expenses	5,312,062	2,349,370
Other current liabilities	(1,585,494)	9,590,196
Cash flows used in operating activities	(1,178,025,686)	(966,680,384)
Cash received from interest	1,193,356,435	1,055,566,457
Cash paid for corporate income tax	(122,703,780)	(88,411,852)
Cash paid for interest	(84,025,052)	(121,970,248)
Net cash flows used in operating activities	(191,398,083)	(121,496,027)

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 2016

	(Unit: Baht)	
	2016	2015
Cash flows from investing activities		
Decrease (increase) in restricted bank deposits	1,221,408	(408,102)
Cash receipt for proceed of equipment	75,000	215,131
Cash paid for acquisition of land, building and equipment	(10,059,793)	(12,314,557)
Net cash flows used in investing activities	(8,763,385)	(12,507,528)
Cash flows from financing activities		
Proceeds from increase in share capital	-	417,216,000
Increase (decrease) in bank overdraft	(50,000,000)	50,000,000
Increase (decrease) in short-term loans	(115,356,911)	415,709,223
Cash receipt from long-term loans	1,084,827,000	670,500,000
Repayment of long-term loans	(1,164,861,130)	(1,297,357,422)
Cash receipt from debentures issuance	647,300,000	-
Repayment of financial lease payables	(1,175,434)	(1,598,034)
Payment for loans issuing cost	(4,006,000)	(10,000,000)
Payment for dividend	(232,938,599)	(104,158,660)
Net cash flows from financing activities	163,788,926	140,311,107
Net increase (decrease) in cash and cash equivalents	(36,372,542)	6,307,552
Cash and cash equivalents at beginning of year	41,321,048	35,013,496
Cash and cash equivalents at end of year	4,948,506	41,321,048

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 2016

1. Corporate information

S 11 Group Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. 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, Chatuchot Road, Ao Ngoen, Sai Mai, Bangkok.

As at 31 December 2016, the Company has 3 branches in Chonburi, Ayudhya and Rayong.

2. Basis of preparation

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and 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 financial reporting standards

3.1 Financial reporting standards that became effective in the current year

During the year, the Company has adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which became effective for fiscal year beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements.

3.2 Financial reporting standard that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) which is effective for fiscal year beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The management of the Company believes that the revised and new financial reporting standards and interpretations will not have any significant impact on the financial statements 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 recognising revenue from hire purchase receivables which installment payment has been defaulted for more than 3 installments past the due date per the agreement. Interest is then recognised as income on a cash basis.

b) Fee and service income

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

c) Penalty fee income

Penalty fee 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.

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 less than 2 months	1
Past due 2 months or more, but less than 4 months	2
Past due 4 months or more	100

Increase (decrease) in allowance for doubtful accounts is recorded as expense during the year in profit or loss in the statements of comprehensive income. The Company has a policy to write-off its receivables when a demand for payment has been properly made and clearly evidenced, and yet the debts remain 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 is recognised in part of profit or loss in the statements of comprehensive income on disposal date. Impairment loss of assets foreclosed is recognised as expenses in part of profit or loss in the statement of comprehensive income (if any).

4.7 Land, building and equipment/Depreciation

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

Depreciation of building and equipment is calculated by reference to their costs over the following estimated useful lives:

Building	-	20 years, straight - line method
Furniture and office equipment	-	5 years, straight - line method
Computers and equipment	-	3 - 5 years, sum of the year's digits method
Motor vehicles	-	5 years, sum of the year's digits method

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 is recognised in part of profit or loss when the assets are derecognised.

4.8 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).

4.9 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 other comprehensive income.

4.10 Income tax

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

a) 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.

b) 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.

4.11 Long-term leases

Leases that transfer substantially all the risks and rewards of ownership to the Company are 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.

4.12 Provisions

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

4.13 Derivatives - Interest rate swap contracts

The net amount of interest when the Company to be received from or paid to the counterparty under interest rate swap contract is recognised as income or expenses on an accrual basis.

4.14 Fair value measurement

Fair value is the price that would be received from 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 applies a quoted market price in an active market to measure their assets and liabilities. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company measures fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

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

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

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

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

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

5. Significant accounting 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 loss 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 value of the Company's building and equipment and to review estimate useful lives and salvage value 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.

5.6 Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value and disclosure of fair value hierarchy.

6. Cash and cash equivalents

	(Unit: Baht)	
	2016	2015
Cash and cash equivalents	242,300	176,100
Bank deposits	4,706,206	41,144,948
Total	<u>4,948,506</u>	<u>41,321,048</u>

As at 31 December 2016, bank deposits in savings accounts and fixed deposits are carried interest at the rates between 0.50 - 1.30 percent per annum (2015: 0.30 - 1.50 percent per annum) as announced by the banks.

7. Hire purchase receivables

7.1 As at 31 December 2016 and 2015, 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. Hire purchase receivables classified by due date per agreement are as follows:

(Unit: Baht)

	2016		
	Amounts due within 1 year ⁽²⁾	Amounts due over 1 year	Total
Hire purchase receivables	3,627,635,361	2,372,079,207	5,999,714,568
Less: Unearned hire purchase income ⁽¹⁾	(1,119,110,884)	(496,435,514)	(1,615,546,398)
Present value of the minimum lease payment receivables	2,508,524,477	1,875,643,693	4,384,168,170
Less: Allowance for doubtful accounts	(470,049,378)	(19,864,365)	(489,913,743)
Hire purchase receivables, net	<u>2,038,475,099</u>	<u>1,855,779,328</u>	<u>3,894,254,427</u>

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

(2) The balance of receivables due within 1 year included receivables for which revenue recognised has been ceased

(Unit: Baht)

	2015		
	Amounts due within 1 year ⁽²⁾	Amounts due over 1 year	Total
Hire purchase receivables	3,112,243,691	1,993,620,679	5,105,864,370
Less: Unearned hire purchase income ⁽¹⁾	(976,054,391)	(414,328,907)	(1,390,383,298)
Present value of the minimum lease payment receivables	2,136,189,300	1,579,291,772	3,715,481,072
Less: Allowance for doubtful accounts	(374,307,772)	(16,758,707)	(391,066,479)
Hire purchase receivables, net	<u>1,761,881,528</u>	<u>1,562,533,065</u>	<u>3,324,414,593</u>

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

(2) The balance of receivables due within 1 year included receivables for which revenue recognised has been ceased

7.2 As at 31 December 2016 and 2015, 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	Balance of hire purchase receivables		Percentage of allowance set up by the Company	Allowance for doubtful accounts	
	2016	2015		2016	2015
Not yet due	2,829,089,769	2,286,325,483	1	28,290,897	22,863,257
Past due					
Less than 1 months	633,161,697	664,437,559	1	6,331,617	6,644,376
1 month or more, but less than 2 months	243,204,349	207,710,494	1	2,432,043	2,077,105
2 months or more, but less than 4 months	230,462,417	201,556,934	2	4,609,248	4,031,139
4 months or more, but less than 7 months	124,612,873	107,583,056	100	124,612,873	107,583,056
7 months or more, but less than 12 months	137,963,577	111,643,635	100	137,963,577	111,643,635
12 months or more	185,673,488	136,223,911	100	185,673,488	136,223,911
Total	<u>4,384,168,170</u>	<u>3,715,481,072</u>		<u>489,913,743</u>	<u>391,066,479</u>

7.3 The Notification of the Institute of Certified Accountants and Auditors of Thailand, with the concurrence of 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 installment payment has been defaulted for more than 3 installments past the due date, and general provision is to be provided for accounts receivable which are not past due or have no more than 3 installments past due. 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 had a policy to cease recognising revenue from hire purchase receivables which are past due more than 3 installments, and has a policy to set up full allowance for doubtful accounts, without consider collateral value, for hire purchase receivables with 4 or more installments past due. The management has considered and confident that this policy is appropriated for the debtor's character and to the Company's business.

7.4 As at 31 December 2016, the Company had hire purchase receivables amounting to Baht 678 million (before netting with unearned hire purchase income) for which revenue recognition has ceased (2015: Baht 558 million).

7.5 As at 31 December 2016, the Company had transferred rights of claim under hire purchase agreements with outstanding balances (before netting with unearned hire purchase income) of Baht 78 million (2015: Baht 1,895 million) in order to secure credit facilities granted by commercial banks as discussed in Note 15 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	
	2016	2015
Balance beginning of the year	391,066,479	293,930,172
Add: Doubtful account increase during the year	255,763,046	204,526,270
Less: Bad debt written-off	(156,915,782)	(107,389,963)
Balance end of the year	<u>489,913,743</u>	<u>391,066,479</u>

8. Assets foreclosed

	(Unit: Baht)	
	2016	
	2016	2015
Assets foreclosed - cost	14,306,934	11,153,795
Less: Allowance for impairment	(5,828,755)	(4,655,099)
Assets foreclosed - net	<u>8,478,179</u>	<u>6,498,696</u>

9. Other current assets

	(Unit: Baht)	
	2016	
	2016	2015
Advance VAT receivable	17,949,480	14,258,914
Other receivable - sales of assets foreclosed	6,235,608	7,226,568
Other accrued income	3,251,022	4,094,123
Counter service receivable	40,402,551	-
Others	2,357,231	3,348,703
Total	<u>70,195,892</u>	<u>28,928,308</u>

10. Restricted bank deposits

As at 31 December 2016 and 2015, 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 29.1 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 2016 and 2015 are summarised below.

(Unit: Baht)

	Land	Building	Furniture and office equipment	Computer and equipment	Motor vehicles	Construction in progress	Total
Cost							
1 January 2015	35,423,239	27,027,398	9,793,964	5,845,231	14,198,589	-	92,288,421
Additions	6,131,456	212,290	1,196,333	613,323	-	4,161,155	12,314,557
Disposals/written off	-	-	(11,979)	-	(700,000)	-	(711,979)
Transferred in (out)	892,192	84,943	-	-	-	(977,135)	-
31 December 2015	42,446,887	27,324,631	10,978,318	6,458,554	13,498,589	3,184,020	103,890,999
Additions	-	114,634	1,549,440	548,105	839,917	7,007,697	10,059,793
Disposals/written off	-	-	(22,687)	-	(489,720)	-	(512,407)
Transferred in (out)	625,201	6,646,254	-	-	-	(7,271,455)	-
31 December 2016	43,072,088	34,085,519	12,505,071	7,006,659	13,848,786	2,920,262	113,438,385
Accumulated depreciation							
1 January 2015	-	2,102,909	3,650,556	3,698,719	8,826,435	-	18,278,619
Depreciation during the year	-	1,370,554	2,082,414	1,116,173	2,587,318	-	7,156,459
Depreciation for disposals/written off	-	-	(8,313)	-	(662,283)	-	(670,596)
31 December 2015	-	3,473,463	5,724,657	4,814,892	10,751,470	-	24,764,482
Depreciation during the year	-	1,549,171	2,152,639	912,589	1,586,860	-	6,201,259
Depreciation for disposals/written off	-	-	(13,976)	-	(486,087)	-	(500,063)
31 December 2016	-	5,022,634	7,863,320	5,727,481	11,852,243	-	30,465,678
Net book value							
31 December 2015	42,446,887	23,851,168	5,253,661	1,643,662	2,747,119	3,184,020	79,126,517
31 December 2016	43,072,088	29,062,885	4,641,751	1,279,178	1,996,543	2,920,262	82,972,707
Depreciation charge for the years ended 31 December							
2015							7,156,459
2016							6,201,259

As at 31 December 2015, land and premises thereon with net book value amounting to Baht 54 million were mortgaged as collateral against credit facilities received from the financial institution as mentioned in Note 13 and Note 15 to the financial statements. However, during 2016 the Company redeemed the mortgage of those assets.

As at 31 December 2016, certain equipment items have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 8.52 million

In additions, as at 31 December 2016, the Company had vehicles under finance lease agreements with net book value amounting to Baht 0.62 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

As at 31 December 2016 and 2015, the components of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Baht)	
	2016	2015
Deferred tax assets		
Allowance for doubtful accounts	97,982,749	78,213,295
Allowance for impairment of assets foreclosed	1,165,751	931,020
Provision for long-term employee benefits	1,680,701	1,298,506
Others	461,095	405,293
Total	<u>101,290,296</u>	<u>80,848,114</u>
Deferred tax liabilities		
Deferred commission and initial direct cost from hire purchase contracts	17,103,812	14,508,137
Deferred loans issuing costs	1,683,992	3,339,573
Deferred debentures issuing cost	435,142	-
Total	<u>19,222,946</u>	<u>17,847,710</u>
Deferred tax assets - net	<u>82,067,350</u>	<u>63,000,404</u>

12.2 Income tax expenses

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

	(Unit: Baht)	
	For the years ended 31 December	
	2016	2015
Current income tax:		
Corporate income tax charge for the year	124,421,110	104,621,536
Effects of income tax related to expenses from share offering (Note 19)	-	1,696,000
Deferred tax:		
Relating to origination and reversal of temporary differences	<u>(19,139,103)</u>	<u>(18,148,031)</u>
Income tax expenses reported in the statements of comprehensive income	<u>105,282,007</u>	<u>88,169,505</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2016 and 2015 are as follows:

	(Unit: Baht)	
	2016	2015
Deferred tax relating to actuarial gain (loss)	(72,157)	44,227
	<u>(72,157)</u>	<u>44,227</u>

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

	(Unit: Baht)	
	For the years ended 31 December	
	2016	2015
Accounting profit before tax	526,724,922	441,161,915
Applicable tax rate	20%	20%
Amount of profit before tax multiplied by applicable tax rate	105,344,984	88,232,383
Tax effect of tax-exempt income and disallowed expenses	(62,977)	(62,878)
Income tax expenses reported in the statements of comprehensive income	<u>105,282,007</u>	<u>88,169,505</u>

13. Bank overdraft

		(Unit: Baht)	
	Interest rate (percent per annum)	2016	2015
Bank overdraft	MOR - 2.0	-	50,000,000
Total		<u>-</u>	<u>50,000,000</u>

As at 31 December 2015, bank overdraft was secured by the mortgage of the Company's land and structures thereon. However, during 2016 the Company redeemed the mortgage of those assets.

As at 31 December 2016, the credit line for short-term loan of the Company which have not yet been drawn down amounted to Baht 200 million.

14. Short-term loans

As at 31 December 2016, short-term loans net of discount, totaling Baht 325 million, are bills of exchange with named, transferable, with maturities of no more than 270 days from the date of issuance, maturity date between January - June 2017. Interest is charged at the rate of 3.05 - 3.75 percent per annum (2015: Bills of exchange of Baht 422 million, registered transferable, and maturing within 270 days from the date of issuance, maturity date between April and July 2016, with interest charge at the rate of 4.50 - 5.20 percent per annum).

15. Long-term loans

As at 31 December 2016 and 2015, long-term loans, which the Company obtained from local financial institutions, are detailed below.

				(Unit: Baht)	
Facility no.	Loan facility	Interest rate (% per annum)	Repayment schedule	2016	2015
1	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	-	10,260,881
2	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 th month after the loan drawdown	-	22,432,174
3	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	-	12,103,098
4	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	-	17,677,019
5	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	166,545,490	304,448,131
6	Loan agreement dated 27 June 2014	MLR - 0.5 - MLR - 2.8	Payment in 30 equal installments, with the first installment payment on the last day of the month of the first drawdown	1,009,885,144	980,543,461
7	Loan agreement dated 11 October 2016	THBFIX1M+ 1.8	Payment in 30 equal installments, with the first installment payment on the last day of the month of the first drawdown	91,000,000	-
Total				<u>1,267,430,634</u>	<u>1,347,464,764</u>
Less: Deferred loans issuing costs				<u>(9,070,085)</u>	<u>(17,347,992)</u>
Long-term loans				1,258,360,549	1,330,116,772
Less: current portion due within 1 year				<u>(777,146,012)</u>	<u>(939,133,131)</u>
Long-term loans, net of current portion				<u>481,214,537</u>	<u>390,983,641</u>

Loan facilities no. 1 and 2 is for use in building construction. These loan facilities are secured by the Company's land and premises thereon. However, during 2016, the Company has made completely loan repayment and releasing the mortgage obligation.

As at 31 December 2016, all other loan facilities 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, the maintenance of debt to equity ratios, ratios of hire purchase receivables with more than 3 installment past due to total hire purchase receivables, and ratios of hire purchase receivables with no more than 3 installments past due to total debts. In addition, loan facility no.7 is secured by the transfer of rights of claim under hire purchase agreements and motorcycle registrations, as requested by the commercial bank. (2015: the Company had to comply with covenants regarding the maintenance of the proportion of shareholding of the major shareholders, the dividend payment, the maintenance of debt to equity ratios, and ratios of overdue hire purchase receivables to total hire purchase receivables, and total hire purchase receivables to total debts, prohibitions on the disposal of assets or rights of claim under hire purchase agreements and prohibitions from entering into new debt agreements, and to secure debt by the transfer rights of claim under hire-purchase agreements and motorcycle registrations as requested by the Bank).

As at 31 December 2016, the Company has commitments of Baht 91 million under interest rate swap agreements with a bank that is the Company's lender, whereby a floating interest rate is swapped for a fixed interest rate throughout the term of the loan. The interest rate swap agreements gradually mature within 2019, in accordance with the conditions of loan repayment.

As at 31 December 2016, the long-term credit facilities of the Company which have not yet been drawn down amounted to Baht 1,129 million.

Movements in the long-term loans account during the year ended 31 December 2016 and 2015 are summarised below.

	(Unit: Baht)	
	For the years ended 31 December	
	2016	2015
Balance at the beginning of year	1,347,464,764	1,974,322,187
Add: Addition borrowings during the year	1,084,827,000	670,500,000
Less: Loans repayment during the year	(1,164,861,130)	(1,297,357,423)
Balance at the end of year	<u>1,267,430,634</u>	<u>1,347,464,764</u>

16. Debt issued - debentures

During the year 2016, the debentures issued by Company has detailed below.

No.	Date	Repayment schedule	(Unite: Baht)	
			2016	2015
1	20 July 2016	Issued name registered, unsubordinated and unsecured without a debentures representative, 2 year term with a coupon rate at 4% per annum, interest payable every quarter	500,000,000	-
2	22 November 2016	Issued name registered, unsubordinated and unsecured without a debentures representative, 2 year term with a coupon rate at 4.10% per annum, interest payable every six months	150,000,000	-
Total			650,000,000	-
Less: Deferred issuing costs			(2,175,711)	-
Debentures			647,824,289	-
Less: Current portion due within 1 year			-	-
Debentures - net of current portion			647,824,289	-

Such debentures contain certain financial covenants which the Company has to comply with such as maintenance of debt to equity ratio.

17. Liabilities under finance lease agreements

Liabilities under financial lease agreements as at 31 December 2016 and 2015 are comprised of:

	(Unit: Baht)	
	2016	2015
Liabilities under finance lease agreements	466,048	1,692,366
Less: Deferred interest expenses	(9,320)	(60,204)
Total	456,728	1,632,162
Less: Current portion due within 1 year	(456,728)	(1,175,434)
Liabilities under finance lease agreements - net of current portion	-	456,728

As at 31 December 2016, the Company has entered into finance lease agreements with a commercial bank and leasing companies in order to lease assets 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.

18. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire, are as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2016	2015
Provision for long-term employee benefits		
at beginning of year	6,492,528	5,140,410
Included in profit or loss:		
Current service cost	2,040,477	936,980
Interest cost	231,285	194,005
Included in other comprehensive income:		
Actuarial loss (gain) arising from		
Financial assumptions changes	(80,946)	531
Experience adjustments	(279,840)	220,602
Provision for long-term employee benefits		
at end of year	8,403,504	6,492,528

Principal actuarial assumptions at the valuation date were as follows:

	31 December 2016	31 December 2015
	(% per annum)	(% per annum)
Discount rate	3.41	3.56
Future salary increase rate	7.50	7.50
Staff turnover rate	16.69	16.19

As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is 26 years, and the Company expects to pay Baht 4 million of long-term employee benefits during the next year.

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

(Unit: Baht)

	2016	
	Rate increase 1%	Rate decrease 1%
Discount rate	Liabilities decreased by 237,446	Liabilities increased by 269,390
Salary increase rate	Liabilities increased by 336,513	Liabilities decreased by 306,987
Turnover rate	Liabilities decreased by 220,350	Liabilities increased by 246,402

(Unit: Baht)

	2015	
	Rate increase 1%	Rate decrease 1%
Discount rate	Liabilities decreased by 184,292	Liabilities increased by 210,137
Salary increase rate	Liabilities increased by 261,230	Liabilities decreased by 236,155
Turnover rate	Liabilities decreased by 171,976	Liabilities increased by 193,840

19. Share capital

During 11-13 February 2015, the Company made an initial public offering of 80 million ordinary shares with a par value of Baht 1 each, at a price of Baht 5.3 per share, for total proceeds of Baht 424 million. As a result there was an increased in share premium amounting to Baht 337.22 million (net of incurred expenses and relating income tax to the share offering of Baht 6.78 million). The Company registered the increase in its issued and paid-up share capital with the Ministry of Commerce on 16 February 2015, and shares of the Company began trading on the Stock Exchange of Thailand on 25 February 2015.

20. 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 2016, the Company had a debt-to-equity ratio of 1.24: 1 (2015: 1.12:1).

21. 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.

As at 31 December 2016, the Company allotted profit of Baht 21.07 million to the statutory reserve.

22. Expenses by nature

Significant selling and administrative expenses by nature are as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2016	2015
Salary, wages and other employee benefits	117,909,513	104,880,415
Insurance premium expenses	85,439,579	63,946,525
Stamp duties and postal expenses	8,093,481	7,217,694
Expense relating demands for payment	7,024,256	6,455,317
Depreciation	6,201,259	7,156,459
Registration expenses	4,839,059	4,468,114
Utilities expenses	4,159,971	3,893,382
Miscellaneous for office expenses	1,830,768	1,721,244
Legal advisor and financial management advisor fee	506,186	338,280

23. Loss on impairment and disposal of assets foreclosed

	(Unit: Baht)	
	For the years ended 31 December	
	2016	2015
Loss on impairment of assets foreclosed (reversal)	1,173,656	(1,307,012)
Loss on disposal of assets foreclosed	146,515,062	138,891,461
Total	147,688,718	137,584,449

24. 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.

25. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 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. The contributions for the year 2016 amounting to Baht 1.87 million (2015: Baht 1.68 million) were recognised as expenses.

26. Dividends

Dividends	Approved by	Total dividends	Dividend per share
		Million Baht	Baht
Interim dividend from the operating result of the 2016 first half year	The Board of Director's Meeting of the Company's No. 3/2559 on 11 August 2016	67.43	0.11
Dividends from the operating results for the year ended 31 December 2015	The annual general meeting of the Company's shareholders No. 1/2559 on 7 April 2016	165.51	0.27
Dividends from the operating results for the year ended 31 December 2014	The annual general meeting of the Company's shareholders No. 1/2558 on 23 April 2015	104.21	0.17

27. 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 2016 and 2015.

28. Director and management benefits

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

(Unit: Baht)

	For the years ended 31 December	
	2016	2015
Short-term employee benefits	24,635,479	20,522,089
Post-employment benefits	1,468,565	1,659,032
Total	26,104,044	22,181,121

29. Commitments

29.1 Guarantees

As at 31 December 2016 and 2015, 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.

29.2 Employee Joint Investment Program

The Company has an Employee Joint Investment Program ("the EJIP"), one of the Company's staff welfare benefits, which offers staff of the Company who voluntarily join the EJIP a savings scheme under which for purchase shares of the Company. EJIP members pay monthly contributions in a certain amount and the Company pays contributions on behalf of EJIP members at the same amount but not higher than 5 - 7.5 percent of their basic salaries based on their position. However, total contributions for each year will not exceed 60 percent of their basic salaries. In addition, the Company pays additional contributions to EJIP members by considering their length of service, with a minimum of 3 years' service required.

During the year, the amount contributed by the Company to EJIP members was presented under the caption of personnel expenses.

30. Financial instruments

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, bank overdraft, account payables, short-term loan, long-term loans, debt issued - debentures and liabilities under financial lease agreements. The financial risks associated with these financial instruments and how they are managed is described below.

30.1 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. The maximum exposure to credit risk is limited to the carrying value of hire purchase receivables less allowance for doubtful debts as stated in the statements of financial position.

30.2 Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may have an effect on the financial position of the Company. As the Company has no foreign currency assets and liabilities and no investments in securities, market risk therefore consists of only interest rate risk.

Interest rate risk

Significant financial assets and liabilities as at 31 December 2016 and 2015 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	2016				
	Fixed interest rate		Floating interest rate	Non-interest bearing	Total
	Repricing or maturity date				
	Within 1 year	Over 1 - 5 years			
Financial assets					
Cash and cash equivalents	-	-	2,521,162	2,427,344	4,948,506
Hire purchase receivables ⁽¹⁾	2,038,475,099	1,855,779,328	-	-	3,894,254,427
Restricted bank deposits	10,890	-	526,167	-	537,057
Financial liabilities					
Trade accounts payables	-	-	-	9,521,799	9,521,799
Short-term loans	325,492,123	-	-	-	325,492,123
Long-term loans	38,210,297	50,811,314	1,169,338,938	-	1,258,360,549
Debt issued - debentures	-	647,824,289	-	-	647,824,289
Liabilities under financial lease agreements	456,728	-	-	-	456,728

(1) The outstanding balance of hire purchase receivables which have fixed interest rate and maturity within 1 year included receivables for which revenue recognised has been ceased

(Unit: Baht)

Transactions	2015				
	Fixed interest rate		Floating interest rate	Non-interest bearing	Total
	Repricing or maturity date				
	Within 1 year	Over 1 - 5 years			
Financial assets					
Cash and cash equivalents	-	-	6,236,733	35,084,315	41,321,048
Hire purchase receivables ⁽¹⁾	1,761,881,528	1,562,533,065	-	-	3,324,414,593
Restricted bank deposits	10,772	-	1,747,693	-	1,758,465
Financial liabilities					
Bank overdraft	-	-	50,000,000	-	50,000,000
Trade accounts payables	-	-	-	3,136,150	3,136,150
Short-term loans	422,338,883	-	-	-	422,338,883
Long-term loans	-	-	1,330,116,772	-	1,330,116,772
Liabilities under financial lease agreements	1,175,434	456,728	-	-	1,632,162

(1) The outstanding balance of hire purchase receivables which have fixed interest rate and maturity within 1 year included receivables for which revenue recognised has been ceased

As mentioned in Note 15 to the financial statements, during the year 2016, the Company entered into interest rate swap agreements to mitigate the interest rate risk on its interest - carrying borrowings, whereby a floating interest rate is swapped for a fixed interest rate.

30.3 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 2016 and 2015 are as follows:

(Unit: Baht)

Transactions	2016				
	At call	Within 1 year	Over 1 year	No specific maturity	Total
Financial assets					
Cash and cash equivalents	4,948,506	-	-	-	4,948,506
Hire purchase receivables ⁽¹⁾	-	2,038,475,099	1,855,779,328	-	3,894,254,427
Restricted bank deposits	-	-	-	537,057	537,057
Financial liabilities					
Trade accounts payables	-	9,521,799	-	-	9,521,799
Short-term loans	-	325,492,123	-	-	325,492,123
Long-term loans	-	777,146,012	481,214,537	-	1,258,360,549
Debt issued - debentures	-	-	647,824,289	-	647,824,289
Liabilities under financial lease agreements	-	456,728	-	-	456,728

(1) The outstanding balance of hire purchase receivables which have maturity within 1 year included receivables for which revenue recognised has been ceased

(Unit: Baht)

Transactions	2015				
	At call	Within 1 year	Over 1 year	No specific maturity	Total
Financial assets					
Cash and cash equivalents	41,321,048	-	-	-	41,321,048
Hire purchase receivables ⁽¹⁾	-	1,761,881,528	1,562,533,065	-	3,324,414,593
Restricted bank deposits	-	-	-	1,758,465	1,758,465
Financial liabilities					
Bank overdraft	50,000,000	-	-	-	50,000,000
Trade accounts payables	-	3,136,150	-	-	3,136,150
Short-term loans	-	422,338,883	-	-	422,338,883
Long-term loans	-	939,133,131	390,983,641	-	1,330,116,772
Liabilities under financial lease agreements	-	1,175,434	456,728	-	1,632,162

(1) The outstanding balance of hire purchase receivables which have maturity within 1 year included receivables for which revenue recognised has been ceased

30.4 Fair values

As at 31 December 2016 and 2015, the Company had no assets and liabilities that were measured at fair value. However, the Company had financial assets and financial liabilities that were measured at cost for which fair value are disclosed using different levels of inputs as follows:

(Unit: Baht)

	2016				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets for which fair value are disclosed</u>					
Cash and cash equivalents	4,948,506	4,948,506	4,948,506	-	-
Hire purchase receivables	3,894,254,427	3,905,516,339	-	-	3,905,516,339
Restricted bank deposits	537,057	537,057	537,057	-	-
<u>Financial liabilities for which fair value are disclosed</u>					
Trade accounts payables	9,521,799	9,521,799	9,521,799	-	-
Short-term loans	325,492,123	325,492,123	-	325,492,123	-
Long-term loans	1,258,360,549	1,252,455,014	-	1,252,455,014	-
Debt issued - debentures	647,824,289	648,447,320	-	648,447,320	-
Liabilities under financial lease agreements	456,728	456,728	-	456,728	-

(Unit: Baht)

	2015				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets for which fair value are disclosed</u>					
Cash and cash equivalents	41,321,048	41,321,048	41,321,048	-	-
Hire purchase receivables	3,324,414,593	3,368,711,012	-	-	3,368,711,012
Restricted bank deposits	1,758,465	1,758,465	1,758,465	-	-
<u>Financial liabilities for which fair value are disclosed</u>					
Bank overdraft	50,000,000	50,000,000	-	50,000,000	-
Trade accounts payables	3,136,150	3,136,150	3,136,150	-	-
Short-term loans	422,338,883	422,338,883	-	422,338,883	-
Long-term loans	1,330,116,772	1,337,246,037	-	1,337,246,037	-
Liabilities under financial lease agreements	1,632,162	1,632,162	-	1,632,162	-

Fair value hierarchy for financial assets and liabilities as at 31 December 2016 and 2015 as stipulated in notes 4.14 to the financial statements.

As at 31 December 2016 and 2015, the methods and assumptions used by the Company in estimating the fair value of financial instruments are as follows:

- a) For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, bank overdraft, trade accounts payables and short-term loans, their carrying amounts in the statement of financial position approximate their fair value.
- b) For hire purchase receivables, fair value is estimated by discounting expected future cash flow by the current market interest rate of the loans with similar terms and conditions.
- c) For long-term loans and debt issued - debentures, fair value is estimated by discounting expected future cash flow by the current market interest rate.
- d) For liabilities under financial lease agreements, their carrying amounts approximate their fair value since their carrying interest approximate to the market rate.

In addition, as at 31 December 2016, the Company has commitment under Interest Rate Swap as discussed in Note 15 to the financial statements. The unrealised loss on the fair value of this interest rate swap contract is Baht 1.18 million.

31. Events after the reporting period

On 9 January 2017, the Company invested in ordinary shares of MOD S Company Limited amounting to Baht 250,000 or 25% of share capital registered (share capital registered at Baht 1 million). Core business of MOD S Company Limited is to manage and develop quality of assets and investigate property execution, to purchase and transfer of non-performing assets or rights from financial institutions, juristic persons, creditors, debtors or bankruptcy persons for the purpose of management or re-sale such assets or rights. The objective of the investment is for generated additional income. The transaction is not subject to disclosure as required by the regulations of Board of The Stock Exchange of Thailand on disclosure and compliance by listed companies on related party transaction.

The MOD S has not operated business yet and in process of applying for relevant license and permit.

32. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 14 February 2017.