

S 11 Group Public Company Limited
Report and financial statements
31 December 2017

Independent Auditor's Report

To the Shareholders of S 11 Group Public Company Limited

Opinion

I have audited the accompanying financial statements, in which the equity method is applied, of S 11 Group Public Company Limited (the Company), which comprise the statement of financial position as at 31 December 2017, 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. I have also audited the separate financial statements of S 11 Group Public Company Limited for the same period.

In my opinion, the financial statements, in which the equity method is applied, referred to above present fairly, in all material respects, the financial position of S 11 Group Public Company Limited as at 31 December 2017, its financial performance and cash flows for the year then ended and the separate financial statements of S 11 Group Public Company Limited 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 as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

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

Key audit matters and how audit procedures respond for each matter are described 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. Furthermore, the estimation of allowance for doubtful accounts is significant because, as at 31 December 2017, the Company had balances of hire purchase receivables of Baht 5,242 million and allowance for doubtful accounts of Baht 679 million (the net amount represent 91 percent 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 2017, most of the Company's revenue consisted of interest income from hire purchase contracts, which amounted to Baht 1,366 million (representing 95 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 judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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



Somjai Khunapasut

Certified Public Accountant (Thailand) No. 4499

EY Office Limited

Bangkok: 19 February 2018

S 11 Group Public Company Limited

Statements of financial position

As at 31 December 2017

(Unit: Baht)

	Note	Financial statements		
		in which the equity		Separate financial statements
		method is applied		
		31 December 2017	31 December 2017	31 December 2016
Assets				
Current assets				
Cash and cash equivalents	6	21,347,748	21,347,748	4,948,506
Current portion of hire purchase receivables - net	7	2,313,877,011	2,313,877,011	2,038,475,099
Counter service receivables		57,731,415	57,731,415	40,402,551
Revenue Department receivables		7,224,256	7,224,256	33,926,562
Prepaid insurance premium		75,260,851	75,260,851	75,061,831
Assets foreclosed - net	8	10,433,978	10,433,978	8,478,179
Other current assets	9	40,289,403	40,289,403	29,793,341
Total current assets		2,526,164,662	2,526,164,662	2,231,086,069
Non-current assets				
Investment in an associated company	10	297,157	249,990	-
Restricted bank deposits	11	747,134	747,134	537,057
Hire purchase receivables - net of current portion	7	2,249,248,316	2,249,248,316	1,855,779,328
Prepaid insurance premium		25,396,959	25,396,959	30,682,151
Land, building and equipment - net	12	89,394,837	89,394,837	82,972,707
Deferred tax assets	13.1	125,302,128	125,302,128	82,067,350
Other non-current assets		264,135	264,135	223,950
Total non-current assets		2,490,650,666	2,490,603,499	2,052,262,543
Total assets		5,016,815,328	5,016,768,161	4,283,348,612

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 2017

(Unit: Baht)

	Note	Financial statements		
		in which the equity		Separate financial statements
		method is applied		
		31 December 2017	31 December 2017	31 December 2016
Liabilities and shareholders' equity				
Current liabilities				
Short-term loans from financial institutions	14	30,000,000	30,000,000	-
Trade accounts payables		28,096,659	28,096,659	9,521,799
Current portion of long-term loans	16	1,061,821,634	1,061,821,634	777,146,012
Current portion of liabilities under				
financial lease agreements	18	-	-	456,728
Current portion of debentures	17	499,231,464	499,231,464	-
Short-term loans	15	233,258,283	233,258,283	325,492,123
Income tax payable		68,805,095	68,805,095	58,790,052
Insurance premium payables		20,318,432	20,318,432	18,444,426
Accrued expenses		29,897,720	29,897,720	28,299,306
Other current liabilities		21,256,570	21,256,570	19,114,878
Total current liabilities		1,992,685,857	1,992,685,857	1,237,265,324
Non-current liabilities				
Long-term loans - net of current portion	16	768,807,035	768,807,035	481,214,537
Debenture - net of current portion	17	149,866,150	149,866,150	647,824,289
Provision for long-term employee benefits	19	9,698,074	9,698,074	8,403,504
Total non-current liabilities		928,371,259	928,371,259	1,137,442,330
Total liabilities		2,921,057,116	2,921,057,116	2,374,707,654

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 2017

(Unit: Baht)

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		31 December 2017	31 December 2017	31 December 2016	
Shareholders' equity					
Share capital					
Registered					
613,000,000 ordinary shares of Baht 1 each		613,000,000	613,000,000	613,000,000	
Issued and fully paid-up					
613,000,000 ordinary shares of Baht 1 each		613,000,000	613,000,000	613,000,000	
Share premium		427,822,558	427,822,558	427,822,558	
Capital reserve for share-based payment transactions		15,300,000	15,300,000	15,300,000	
Retained earnings					
Appropriated - statutory reserve	21	61,300,000	61,300,000	59,478,174	
Unappropriated		978,335,654	978,288,487	793,040,226	
Total shareholders' equity		2,095,758,212	2,095,711,045	1,908,640,958	
Total liabilities and shareholders' equity		5,016,815,328	5,016,768,161	4,283,348,612	

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 2017

(Unit: Baht)

	Note	Financial statements		
		in which the equity method is applied		Separate financial statements
		2017	2017	2016
Profit or loss:				
Revenues				
Hire purchase interest income		1,366,464,717	1,366,464,717	1,207,904,169
Fee and service income		58,821,189	58,821,189	53,035,136
Other income		13,104,888	13,104,888	11,544,228
Total revenues		1,438,390,794	1,438,390,794	1,272,483,533
Expenses				
Selling and administrative expenses		296,284,937	296,284,937	222,419,810
Bad debts and doubtful accounts	7.6	367,768,912	367,768,912	255,763,046
Loss on impairment and on disposal of assets foreclosed	23	167,882,746	167,882,746	147,688,718
Total expenses		831,936,595	831,936,595	625,871,574
Profit before finance cost, share of gain from investment in an associated company and income tax expenses		606,454,199	606,454,199	646,611,959
Finance cost		(112,538,734)	(112,538,734)	(119,887,037)
Profit before share of gain from investment in an associated company and income tax expenses		493,915,465	493,915,465	526,724,922
Share of gain from investment in an associated company	10.2	47,167	-	-
Profit before income tax expenses		493,962,632	493,915,465	526,724,922
Income tax expenses	13.2	(98,671,140)	(98,671,140)	(105,282,007)
Profit for the year		395,291,492	395,244,325	421,442,915
Other comprehensive income:				
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>				
Actuarial gain		307,203	307,203	360,786
Income tax relating to actuarial gain	13.2	(61,441)	(61,441)	(72,157)
Other comprehensive income for the year		245,762	245,762	288,629
Total comprehensive income for the year		395,537,254	395,490,087	421,731,544
Earnings per share				
Basic earnings per share	24	0.64	0.64	0.69

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 2017

(Unit: Baht)

Financial statements in which the equity method is applied

	Issued and fully	Share	Capital reserve	Retained earnings		Total
	paid-up	premium	for share-based	Appropriated -	Unappropriated	
	share capital		payment transactions	statutory reserve		shareholders' equity
Balance as at 1 January 2017	613,000,000	427,822,558	15,300,000	59,478,174	793,040,226	1,908,640,958
Profit for the year	-	-	-	-	395,291,492	395,291,492
Other comprehensive income for the year	-	-	-	-	245,762	245,762
Total comprehensive income for the year	-	-	-	-	395,537,254	395,537,254
Dividend paid (Note 27)	-	-	-	-	(208,420,000)	(208,420,000)
Transferred unappropriated retained earnings						
to statutory reserve	-	-	-	1,821,826	(1,821,826)	-
Balance as at 31 December 2017	613,000,000	427,822,558	15,300,000	61,300,000	978,335,654	2,095,758,212

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

S 11 Group Public Company Limited

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2017

(Unit: Baht)

Separate financial statements

	Issued and fully		Capital reserve for share-based payment transactions	Retained earnings		Total shareholders' equity
	paid-up share capital	Share premium		Appropriated - statutory reserve	Unappropriated	
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 27)	-	-	-	-	(232,939,973)	(232,939,973)
Transferred unappropriate 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
Balance as at 1 January 2017	613,000,000	427,822,558	15,300,000	59,478,174	793,040,226	1,908,640,958
Profit for the year	-	-	-	-	395,244,325	395,244,325
Other comprehensive income for the year	-	-	-	-	245,762	245,762
Total comprehensive income for the year	-	-	-	-	395,490,087	395,490,087
Dividend paid (Note 27)	-	-	-	-	(208,420,000)	(208,420,000)
Transferred unappropriated retained earnings to statutory reserve	-	-	-	1,821,826	(1,821,826)	-
Balance as at 31 December 2017	613,000,000	427,822,558	15,300,000	61,300,000	978,288,487	2,095,711,045

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 2017

(Unit: Baht)

	Financial statements		
	in which the equity		
	method is applied	Separate financial statements	
	2017	2017	2016
Cash flows from operating activities			
Profit before income tax	493,962,632	493,915,465	526,724,922
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities			
Depreciation	6,069,448	6,069,448	6,201,259
Bad debts and doubtful accounts	367,768,912	367,768,912	255,763,046
Loss on impairment of assets foreclosed	1,798,032	1,798,032	1,173,656
Gain on sale assets	(466)	(466)	(71,367)
Loss on written-off assets	18,594	18,594	8,711
Share of gain from investment in an associated company	(47,167)	-	-
Provision for long-term employee benefits	1,601,773	1,601,773	2,271,762
Hire purchase interest income	(1,366,464,717)	(1,366,464,717)	(1,207,904,169)
Interest expenses and amortisation of loans issuing cost	112,538,734	112,538,734	119,887,037
Loss from operating activities before changes in operating assets and liabilities	(382,754,225)	(382,754,225)	(295,945,143)
Operating assets (increase) decrease			
Hire purchase receivables	(1,016,436,675)	(1,016,436,675)	(811,055,146)
Assets foreclosed	(3,753,831)	(3,753,831)	(3,153,139)
Revenue Department receivables	26,702,306	26,702,306	(1,666,908)
Prepaid insurance premium	5,086,172	5,086,172	(39,704,261)
Other current assets	(27,824,926)	(27,824,926)	(41,267,584)
Other non-current assets	(40,185)	(40,185)	(11,350)
Operating liabilities increase (decrease)			
Trade accounts payables	18,574,860	18,574,860	6,385,649
Insurance premium payables	1,874,006	1,874,006	4,665,628
Accrued expenses	1,385,942	1,385,942	5,312,062
Other current liabilities	2,141,868	2,141,868	(1,585,494)
Cash flows used in operating activities	(1,375,044,688)	(1,375,044,688)	(1,178,025,686)
Cash received from interest	1,346,261,580	1,346,261,580	1,193,356,435
Cash paid for corporate income tax	(131,952,316)	(131,952,316)	(122,703,780)
Cash paid for interest	(94,623,709)	(94,623,709)	(84,025,052)
Net cash flows used in operating activities	(255,359,133)	(255,359,133)	(191,398,083)

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 2017

(Unit: Baht)

	Financial statements		
	in which the equity		
	method is applied	Separate financial statements	
	2017	2017	2016
Cash flows from investing activities			
Cash paid for investment in an associated company	(249,990)	(249,990)	-
Decrease (increase) in restricted bank deposits	(210,077)	(210,077)	1,221,408
Cash received for proceed of equipment	467	467	75,000
Cash paid for acquisition of building and equipment	(12,510,172)	(12,510,172)	(10,059,793)
Net cash flows used in investing activities	(12,969,772)	(12,969,772)	(8,763,385)
Cash flows from financing activities			
Increase (decrease) in bank overdraft and short-term loans			
from financial institutions	30,000,000	30,000,000	(50,000,000)
Decrease in short-term loans	(102,701,633)	(102,701,633)	(115,356,911)
Cash received from debentures	-	-	647,300,000
Cash received from long-term loans	1,597,200,000	1,597,200,000	1,084,827,000
Repayment of long-term loans	(1,027,041,316)	(1,027,041,316)	(1,164,861,130)
Repayment of financial lease payables	(456,728)	(456,728)	(1,175,434)
Payment for loans issuing cost	(3,852,000)	(3,852,000)	(4,006,000)
Payment for dividends	(208,420,176)	(208,420,176)	(232,938,599)
Net cash flows from financing activities	284,728,147	284,728,147	163,788,926
Net increase (decrease) in cash and cash equivalents	16,399,242	16,399,242	(36,372,542)
Cash and cash equivalents at beginning of year	4,948,506	4,948,506	41,321,048
Cash and cash equivalents at end of year	21,347,748	21,347,748	4,948,506

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 2017

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 2017, the Company has 6 branches in Chonburi, Ayudhya, Rayong and Nakhon Ratchasima (2016: 3 branches).

2. Basis of preparation

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

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

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

2.2 The separate financial statements

The separate financial statements present investment in an associated company under the cost method.

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 financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are 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 adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements.

3.2 Financial reporting standards 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 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements.

The management of the Company believes that the revised 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 statements of comprehensive income (if any).

4.7 Investment in an associated company

- a) Investment in associated company is accounted for in the financial statements in which the equity method is applied using the equity method.
- b) Investment in associated company is accounted for in the separate financial statements using the cost method.

4.8 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 - 10 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.

4.9 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).

4.10 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.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 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 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.

5.4 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.

5.5 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)	
	2017	2016
Cash and cash equivalents	474,800	242,300
Bank deposits	20,872,948	4,706,206
Total	<u>21,347,748</u>	<u>4,948,506</u>

As at 31 December 2017, bank deposits in savings accounts and fixed deposits are carried interest at the rates between 0.10 - 0.90 percent per annum (2016: 0.50 - 1.30 percent per annum) as announced by the banks.

7. Hire purchase receivables

7.1 As at 31 December 2017 and 2016, 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)		
	2017		
	Amounts due within 1 year ⁽²⁾	Amounts due over 1 year	Total
Hire purchase receivables	4,304,465,397	2,879,478,166	7,183,943,563
Less: Unearned hire purchase income ⁽¹⁾	<u>(1,335,970,781)</u>	<u>(606,066,363)</u>	<u>(1,942,037,144)</u>
Present value of the minimum lease payment receivables	2,968,494,616	2,273,411,803	5,241,906,419
Less: Allowance for doubtful accounts ⁽³⁾	<u>(654,617,605)</u>	<u>(24,163,487)</u>	<u>(678,781,092)</u>
Net hire purchase receivables	<u>2,313,877,011</u>	<u>2,249,248,316</u>	<u>4,563,125,327</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.

(3) The balance of allowance for doubtful account due within 1 year includes additional provision for uncollectible receivables.

(Unit: Baht)

	2016		
	Amounts due	Amounts due	Total
	within 1 year ⁽²⁾	over 1 year	
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)
Net hire purchase receivables	<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.

7.2 As at 31 December 2017 and 2016, 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:

Aging	Balance of		Percentage of allowance set up by the Company	Allowance for doubtful accounts	
	hire purchase receivables				
	2017	2016		2017	2016
Not yet due	3,435,910,209	2,829,089,769	1	34,359,052	28,290,897
Past due					
Less than 1 month	666,143,523	633,161,697	1	6,661,436	6,331,617
1 month or more, but less than 2 months	274,684,785	243,204,349	1	2,746,829	2,432,043
2 months or more, but less than 4 months	259,340,926	230,462,417	2	5,186,799	4,609,248
4 months or more, but less than 7 months	149,170,083	124,612,873	100	149,170,083	124,612,873
7 months or more, but less than 13 months	185,151,058	137,963,577	100	185,151,058	137,963,577
13 months or more	271,505,835	185,673,488	100	271,505,835	185,673,488
Total	<u>5,241,906,419</u>	<u>4,384,168,170</u>		654,781,092	489,913,743
Allowance for doubtful accounts - additional provision for uncollectible receivables				24,000,000	-
Total				<u>678,781,092</u>	<u>489,913,743</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 2017, the Company had hire purchase receivables amounting to Baht 894 million (before netting with unearned hire purchase income) for which revenue recognition has ceased (2016: Baht 678 million).

7.5 As at 31 December 2017, the Company had transferred rights of claim under hire purchase agreements with outstanding balances (before netting with unearned hire purchase income) of Baht 655 million (2016: Baht 78 million) in order to secure credit facilities granted by commercial banks as discussed in Note 16 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	
	2017	2016
Balance beginning of the year	489,913,743	391,066,479
Add: Doubtful account increase during the year	367,768,912	255,763,046
Less: Bad debt written-off	(178,901,563)	(156,915,782)
Balance end of the year	<u>678,781,092</u>	<u>489,913,743</u>

8. Assets foreclosed

	(Unit: Baht)	
	2017	2016
Assets foreclosed - cost	18,060,764	14,306,934
Less: Allowance for impairment	(7,626,786)	(5,828,755)
Assets foreclosed - net	<u>10,433,978</u>	<u>8,478,179</u>

9. Other current assets

	(Unit: Baht)	
	2017	2016
Advance VAT receivable	22,093,429	17,949,480
Other receivable - sales of assets foreclosed	5,158,413	6,235,608
Other accrued income	6,567,185	3,251,022
Others	6,470,376	2,357,231
Total	<u>40,289,403</u>	<u>29,793,341</u>

10. Investment in an associated company

10.1 Detail of an associated company

Company's name	Nature of business	(Unit: Baht)							
		Shareholding percentage				Financial statements in which the equity method is applied		Separate financial statements	
		31 December 2017		31 December 2016		Book value		Cost/Book value	
		(%)	(%)	December 2017	December 2016	December 2017	December 2016	December 2017	December 2016
MOD S Company Limited	Manage and develop quality of assets	25	-	297,157	-	249,990	-		

As at 9 January 2017, the Company invested in ordinary shares of MOD S Company Limited, a company incorporated in Thailand, 49,998 shares at amounting to Baht 249,990, or 25% of share capital registered. The Company recognised such investments as investment in an associated company.

10.2 Share of comprehensive income and dividend

During the year ended 31 December 2017, the Company recognised shares of gain from investment in an associated company in the financial statements in which the equity method is applied amounting to Baht 47,167 and no dividends received from the associated company during the year.

10.3 Summarised financial information of an associated company

Summarised financial information of MOD S Company Limited as at 31 December 2017 and for the year ended 31 December 2017, prepared by the management of the associated company and not audited/reviewed by its auditor, is as follows:

Summarised information about financial position

	(Unit: Baht)
	31 December 2017
Total assets	1,373,246
Total liabilities	184,618
Net assets	1,188,628

Summarised information about income statement

	(Unit: Baht)
	For the year ended
	31 December 2017
Revenues	1,011,668
Profit for the year	188,628

11. Restricted bank deposits

As at 31 December 2017 and 2016, this represents bank 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, a deposit used as an employee's security deposit and the security deposit of a contractor hired to repossess motorcycles.

12. Land, building and equipment

Movements of land, building and equipment during the years ended 31 December 2017 and 2016 are summarised below.

(Unit: Baht)

	Land	Building and improvement	Furniture and office equipment	Computer and equipment	Motor vehicles	Construction in progress	Total
Cost							
1 January 2016	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
Additions	-	94,159	1,757,258	1,633,588	1,431,184	7,593,983	12,510,172
Disposals/written off	-	-	(138,874)	-	-	-	(138,874)
Transferred in (out)	2,548,201	7,563,982	402,062	-	-	(10,514,245)	-
31 December 2017	45,620,289	41,743,660	14,525,517	8,640,247	15,279,970	-	125,809,683
Accumulated depreciation							
1 January 2016	-	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
Depreciation during the year	-	1,824,229	2,133,605	921,163	1,190,451	-	6,069,448
Depreciation for disposals/written off	-	-	(120,280)	-	-	-	(120,280)
31 December 2017	-	6,846,863	9,876,645	6,648,644	13,042,694	-	36,414,846
Net book value							
31 December 2016	43,072,088	29,062,885	4,641,751	1,279,178	1,996,543	2,920,262	82,972,707
31 December 2017	45,620,289	34,896,797	4,648,872	1,991,603	2,237,276	-	89,394,837
Depreciation charge for the years ended 31 December							
2016							6,201,259
2017							6,069,448

As at 31 December 2017, certain items of equipment and motor vehicles were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 18 million (2016: Baht 9 million).

13. Deferred tax assets/income tax expenses

13.1 Deferred tax assets

As at 31 December 2017 and 2016, the components of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Baht)	
	2017	2016
Deferred tax assets		
Allowance for doubtful accounts	135,756,219	97,982,749
Allowance for impairment of assets foreclosed	1,525,357	1,165,751
Provision for long-term employee benefits	1,939,615	1,680,701
Advance receive from insurance premium	7,302,780	-
Others	506,989	461,095
Total	<u>147,030,960</u>	<u>101,290,296</u>
Deferred tax liabilities		
Deferred commission and initial direct cost from hire purchase contracts	20,286,250	17,103,812
Deferred loans issuing costs	1,262,105	1,683,992
Deferred debentures issuing cost	180,477	435,142
Total	<u>21,728,832</u>	<u>19,222,946</u>
Deferred tax assets - net	<u>125,302,128</u>	<u>82,067,350</u>

13.2 Income tax expenses

Income tax expenses for the years ended 31 December 2017 and 2016 are as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2017	2016
Current income tax:		
Corporate income tax charge for the year	141,967,359	124,421,110
Deferred tax:		
Relating to origination and reversal of temporary differences	<u>(43,296,219)</u>	<u>(19,139,103)</u>
Income tax expenses reported in the statements of comprehensive income	<u>98,671,140</u>	<u>105,282,007</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2017 and 2016 are as follows:

	(Unit: Baht)	
	2017	2016
Deferred tax relating to actuarial gain	(61,441)	(72,157)

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

	For the years ended 31 December		
	Financial statements in which the equity method is applied	Separate financial statements	
	2017	2017	2016
Accounting profit before tax	493,962,632	493,915,465	526,724,922
Applicable tax rate	20%	20%	20%
Amount of profit before tax multiplied by applicable tax rate	98,792,526	98,783,093	105,344,984
Tax effect of tax-exempt income and disallowed expenses	(121,386)	(111,953)	(62,977)
Income tax expenses reported in the statements of comprehensive income	98,671,140	98,671,140	105,282,007

14. Short-term loans from financial institutions

	Interest rate (percent per annum)	(Unit: Baht)	
		2017	2016
Promissory notes	3.9	30,000,000	-

These present loans in the form of promissory notes, under which principal payment is due at call and interest is payable every month end.

As at 31 December 2017, the short-term credit facilities which have not yet been drawn down amounted to Baht 170 million.

15. Short-term loans

As at 31 December 2017, the Company has loans in form of bills of exchange, net of discount, totaling Baht 233 million, the bills are registered, transferable, and maturing within 270 days from the date of issuance (maturity date between January - June 2018), with interest charged at the rate of 3.25 - 3.44 percent per annum (2016: Bills of exchange of Baht 325 million, registered, transferable, and maturing within 270 days from the date of issuance, maturity date between January and June 2017, with interest charge at the rate of 3.05 - 3.75 percent per annum).

16. Long-term loans

As at 31 December 2017 and 2016, the long-term loans, which the Company obtained from local financial institutions, are detailed below.

				(Unit: Baht)	
Facility no.	Loan facility	Interest rate	Repayment schedule	2017	2016
		(% per annum)			
1	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 drawdown	-	166,545,490
2	Loan agreement dated 27 June 2014	MLR - 0.5 to MLR - 2.8	Payment in 30 equal installments, with the first installment payment on the last day of the month of drawdown	1,098,530,959	1,009,885,144
3	Loan agreement dated 11 October 2016	THBFIX1M + 1.8	Payment in 30 installments, with the first installment payment on the last day of the month of drawdown	284,200,000	91,000,000
4	Loan agreement dated 13 September 2017	4.4	Payment in 30 equal installments, with the first installment payment on the last day of the month of drawdown	280,058,359	-
5	Loan agreement dated 4 October 2017	THBFIX1M + 1.8	Payment in between 24 and 30 installments, with the first installment payment on the last day of the month of drawdown	174,800,000	-
Total				<u>1,837,589,318</u>	<u>1,267,430,634</u>
Less: Deferred loans issuing costs				<u>(6,960,649)</u>	<u>(9,070,085)</u>
Long-term loans				1,830,628,669	1,258,360,549
Less: current portion due within 1 year				<u>(1,061,821,634)</u>	<u>(777,146,012)</u>
Long-term loans, net of current portion				<u><u>768,807,035</u></u>	<u><u>481,214,537</u></u>

Under each loan agreement, the Company has to comply with certain covenants regarding, among other things, the maintenance of the proportion of shareholding of the major shareholders, the maintenance of a debt to equity ratio, hire purchase receivables with more than 3 installment past due to total hire purchase receivables ratio, hire purchase receivables with no more than 3 installments past due to total debts ratio, the transfer of rights of claim under hire purchase agreements and motorcycle registrations, as notified by the commercial bank, or the pledge of the Company's shares held by the major shareholders.

As at 31 December 2017, the Company has commitments of Baht 459 million under interest rate swap agreements with a bank that is the Company's lender for loan facilities no.3 and 5, whereby floating interest rates are swapped for a fixed interest rate throughout the term of the loan. The interest rate swap agreements gradually mature within 2020, in accordance with the conditions of loan repayment (2016: the Company had commitments of Baht 91 million under interest rate swap agreements for loan facility no.3).

As at 31 December 2017, the Company has long-term credit facilities which have not yet been drawn down amounted to Baht 1,526 million, and has remaining overdraft facilities amounting to Baht 50 million.

Movements in the long-term loans account during the year ended 31 December 2017 and 2016 are summarised below.

	(Unit: Baht)	
	For the years ended 31 December	
	2017	2016
Balance at the beginning of year	1,267,430,634	1,347,464,764
Add: Addition borrowings during the year	1,597,200,000	1,084,827,000
Less: Loans repayment during the year	(1,027,041,316)	(1,164,861,130)
Balance at the end of year	<u>1,837,589,318</u>	<u>1,267,430,634</u>

17. Debt issued - debentures

During the year 2017, the debentures issued by the Company has detailed below.

			(Unite: Baht)	
No.	Date	Repayment schedule	2017	2016
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	500,000,000
2	22 November 2016	Issued name registered, unsubordinated and unsecured without a debentures representative, 3 year term with a coupon rate at 4.10% per annum, interest payable every six months	150,000,000	150,000,000
Total			650,000,000	650,000,000
Less: Deferred issuing costs			(902,386)	(2,175,711)
Debentures			649,097,614	647,824,289
Less: Current portion due within 1 year			(499,231,464)	-
Debentures - net of current portion			149,866,150	647,824,289

The Company has to comply with financial covenants i.e. maintenance of debt to equity ratio.

18. Liabilities under finance lease agreements

Liabilities under financial lease agreements as at 31 December 2017 and 2016 are comprised of:

		(Unit: Baht)	
		2017	2016
Liabilities under finance lease agreements		-	466,048
Less: Deferred interest expenses		-	(9,320)
Total		-	456,728
Less: Current portion due within 1 year		-	(456,728)
Liabilities under finance lease agreements - net of current portion		-	-

The Company has entered into finance lease agreements with a commercial bank 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.

19. 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	
	2017	2016
Provision for long-term employee benefits		
at beginning of year	8,403,504	6,492,528
Included in profit or loss:		
Current service cost	1,314,849	2,040,477
Interest cost	286,924	231,285
Included in other comprehensive income:		
Actuarial loss (gain) arising from		
Financial assumptions changes	(333,933)	(80,946)
Experience adjustments	26,730	(279,840)
Provision for long-term employee benefits		
at end of year	<u>9,698,074</u>	<u>8,403,504</u>

Principal actuarial assumptions at the valuation date were as follows:

	31 December 2017	31 December 2016
	(% per annum)	(% per annum)
Discount rate	3.06	3.41
Future salary increase rate	7.50	7.50
Staff turnover rate	15.01	16.69

As at 31 December 2017, the weighted average duration of the liabilities for long-term benefit is 22.66 years (2016: 26.51 years), and the Company has no obligation relating to loan-term employee benefits expected to be paid to its employees in the next one year.

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefits obligation as at 31 December 2017 and 2016 are summarised below.

	(Unit: Baht)	
	2017	
	Rate increase 1%	Rate decrease 1%
Discount rate	Liabilities decreased by 376,536	Liabilities increased by 421,194
Salary increase rate	Liabilities increased by 391,556	Liabilities decreased by 358,421
Turnover rate	Liabilities decreased by 339,256	Liabilities increased by 383,579

(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

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 2017, the Company had a debt-to-equity ratio of 1.39:1 (2016: 1.24:1).

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 2017, the Company allotted profit of Baht 1.82 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	
	2017	2016
Salary, wages and other employee benefits	134,324,019	117,909,513
Insurance premium expenses	106,261,196	47,842,941
Stamp duties and postal expenses	9,065,497	8,093,481
Expense relating demands for payment	8,038,672	7,024,256
Depreciation	6,069,448	6,201,259
Registration expenses	5,144,991	4,839,059
Utilities expenses	4,558,956	4,159,971
Miscellaneous for office expenses	2,015,256	1,830,768

23. Loss on impairment and disposal of assets foreclosed

	(Unit: Baht)	
	For the years ended 31 December	
	2017	2016
Loss on impairment of assets foreclosed	1,798,031	1,173,656
Loss on disposal of assets foreclosed	166,084,715	146,515,062
Total	<u>167,882,746</u>	<u>147,688,718</u>

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 2017 amounting to Baht 2.15 million (2016: Baht 1.87 million) were recognised as expenses.

26. Related party transactions

During the years, the Company had significant business transactions with related parties. Such transactions are in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties. A summary of related parties and transactions with those parties is below.

Name of related party	Relationship with the Company		
MOD S Company Limited	An associated company		
	For the years ended		(Unit: Baht)
	31 December		
	2017	2016	Pricing policy
<u>Transactions with associate</u>			
Service income	54,412	-	As stipulated in agreements
Service expenses	789,677	-	As stipulated in agreements

The balance of the accounts as at 31 December 2017 and 2016 between the Company and an associated company are as follows:

	(Unit: Baht)	
	2017	2016
<u>Service payable</u>		
An associated company	77,059	-

Directors and management benefits

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

	(Unit: Baht)	
	For the years ended	
	31 December	
	2017	2016
Short-term employee benefits	21,184,261	24,635,479
Post-employment benefits	941,145	1,468,565
Total	<u>22,125,406</u>	<u>26,104,044</u>

27. Dividends

Dividends	Approved by	Total dividends	Dividend per share
		Million Baht	Baht
Dividends from the operating result 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
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
		<u>232.94</u>	
Dividends from the operating result for the year ended 31 December 2016	The annual general meeting of the Company's shareholders No. 1/2560 on 3 April 2017	140.99	0.23
Interim dividend from the operating result of the 2017 first half year	The Board of Director's Meeting of the Company's No. 3/2560 on 10 August 2017	67.43	0.11
		<u>208.42</u>	

28. 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 2017 and 2016.

29. Commitments

29.1 Guarantees

As at 31 December 2017 and 2016, 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 years, 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, account payables, short-term loans, 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 2017 and 2016 classified by type of interest rate 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	2017				
	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	-	-	18,750,810	2,596,938	21,347,748
Hire purchase receivables ⁽¹⁾	2,313,877,011	2,249,248,316	-	-	4,563,125,327
Restricted bank deposits	10,986	-	736,148	-	747,134
Financial liabilities					
Short-term loans from financial institutions	30,000,000	-	-	-	30,000,000
Trade accounts payables	-	-	-	28,096,659	28,096,659
Short-term loans	233,258,283	-	-	-	233,258,283
Long-term loans	112,312,389	166,772,792	1,551,543,488	-	1,830,628,669
Debt issued - debentures	499,231,464	149,866,150	-	-	649,097,614

(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	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

As mentioned in Note 16 to the financial statements, during the year 2017, 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 2017 and 2016 are as follows:

(Unit: Baht)

Transactions	2017				Total
	At call	Within 1 year	Over 1 year	No specific maturity	
<u>Financial assets</u>					
Cash and cash equivalents	21,347,748	-	-	-	21,347,748
Hire purchase receivables ⁽¹⁾	-	2,313,877,011	2,249,248,316	-	4,563,125,327
Restricted bank deposits	-	-	-	747,134	747,134
<u>Financial liabilities</u>					
Short-term loans from financial institutions	30,000,000	-	-	-	30,000,000
Trade accounts payables	-	28,096,659	-	-	28,096,659
Short-term loans	-	233,258,283	-	-	233,258,283
Long-term loans	-	1,061,821,634	768,807,035	-	1,830,628,669
Debt issued - debentures	-	499,231,464	149,866,150	-	649,097,614

(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	2016				Total
	At call	Within 1 year	Over 1 year	No specific maturity	
<u>Financial assets</u>					
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
<u>Financial liabilities</u>					
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

30.4 Fair values

As at 31 December 2017 and 2016, 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)			
		2017			
	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	21,347,748	21,347,748	21,347,748	-	-
Hire purchase receivables	4,563,125,327	4,568,745,450	-	-	4,568,745,450
Restricted bank deposits	747,134	747,134	747,134	-	-
<u>Financial liabilities for which fair value are disclosed</u>					
Short-term loans from financial institutions	30,000,000	30,000,000	-	30,000,000	-
Trade accounts payables	28,096,659	28,096,659	28,096,659	-	-
Short-term loans	233,258,283	233,258,283	-	233,258,283	-
Long-term loans	1,830,628,669	1,830,842,945	-	1,830,842,945	-
Debt issued - debentures	649,097,614	650,774,592	-	650,774,592	-
		(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	-

Fair value hierarchy for financial assets and liabilities as at 31 December 2017 and 2016 is stipulated in notes 4.15 to the financial statements.

As at 31 December 2017 and 2016, 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, 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 2017, the Company has commitment under Interest Rate Swap as discussed in Note 16 to the financial statements. The unrealised loss on the fair value of this interest rate swap contract is Baht 6.6 million.

31. Events after the reporting period

On 19 February 2018, the Board of Director Meeting of the Company No. 1/2561 passed the resolutions to propose to the Annual General Meeting of shareholders to approve a dividend payment from the 2017 operating results at a rate of Baht 0.32 per share, or a total of Baht 196.16 million. The Company paid an interim dividend of Baht 0.11 per share on 8 September 2017 and is therefore to pay another final dividend of Baht 0.21 per share.

32. Reclassification

The Company reclassified the following transactions in the separate comprehensive income statement for the year ended 31 December 2016 to conform with the current year classification, with no effect to the profit or loss or shareholders' equity.

(Unit: Baht)

	For the year ended 31 December 2016	
	As reclassified	As previously reported
Other income	11,544,228	49,140,867
Selling and administrative expenses	222,419,810	260,016,449

33. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 19 February 2018.