

S 11 Group Public Company Limited
Report and financial statements
31 December 2019



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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, 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 2019, 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 2019, 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 2019, the Company had balances of hire purchase receivables of Baht 6,992 million and allowance for doubtful accounts of Baht 807 million (the net amount represent 92 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 2019, most of the Company's revenue consisted of interest income from hire purchase contracts, which amounted to Baht 1,806 million (representing 94 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.



Rachada Yongsawadvanich
Certified Public Accountant (Thailand) No. 4951

EY Office Limited
Bangkok: 13 February 2020

S 11 Group Public Company Limited

Statements of financial position

As at 31 December 2019

(Unit: Baht)

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		2019	2018	2019	2018
Assets					
Current assets					
Cash and cash equivalents	6	41,443,026	23,670,440	41,443,026	23,670,440
Current portion of hire purchase receivables - net	7	3,122,683,406	2,709,105,448	3,122,683,406	2,709,105,448
Counter service receivables		67,407,267	69,788,652	67,407,267	69,788,652
Prepaid insurance premium		78,171,088	71,626,922	78,171,088	71,626,922
Assets foreclosed - net	8	23,774,880	19,701,962	23,774,880	19,701,962
Other current assets	9	44,661,132	44,454,705	44,661,132	44,454,705
Total current assets		3,378,140,799	2,938,348,129	3,378,140,799	2,938,348,129
Non-current assets					
Investment in an associated company	10.1	414,611	304,259	249,990	249,990
Restricted bank deposits	11	1,044,853	933,804	1,044,853	933,804
Hire purchase receivables - net of current portion	7	3,061,899,077	2,652,244,501	3,061,899,077	2,652,244,501
Prepaid insurance premium		29,152,640	25,859,922	29,152,640	25,859,922
Land, building and equipment - net	12	86,837,474	86,920,720	86,837,474	86,920,720
Deferred tax assets	13.1	151,801,785	140,795,090	151,801,785	140,795,090
Other non-current assets		311,135	264,135	311,135	264,135
Total non-current assets		3,331,461,575	2,907,322,431	3,331,296,954	2,907,268,162
Total assets		6,709,602,374	5,845,670,560	6,709,437,753	5,845,616,291

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 2019

(Unit: Baht)

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		2019	2018	2019	2018
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	14	190,000,000	200,000,000	190,000,000	200,000,000
Trade accounts payables		70,674,347	47,102,389	70,674,347	47,102,389
Current portion of long-term loans	16	1,759,599,794	1,497,959,547	1,759,599,794	1,497,959,547
Current portion of debentures	17	-	149,866,150	-	149,866,150
Short-term loans	15	585,996,599	522,663,928	585,996,599	522,663,928
Income tax payable		67,689,070	55,308,501	67,689,070	55,308,501
Insurance premium payables		24,437,167	21,868,687	24,437,167	21,868,687
Accrued expenses		33,462,626	27,896,573	33,462,626	27,896,573
Other current liabilities		33,460,664	31,360,458	33,460,664	31,360,458
Total current liabilities		2,765,320,267	2,554,026,233	2,765,320,267	2,554,026,233
Non-current liabilities					
Long-term loans - net of current portion	16	1,082,175,464	947,505,455	1,082,175,464	947,505,455
Debenture - net of current portion	17				
Related persons and related parties		37,743,713	-	37,743,713	-
Unrelated persons and unrelated parties		187,030,031	-	187,030,031	-
Provision for long-term employee benefits	18	17,166,607	11,071,449	17,166,607	11,071,449
Total non-current liabilities		1,324,115,815	958,576,904	1,324,115,815	958,576,904
Total liabilities		4,089,436,082	3,512,603,137	4,089,436,082	3,512,603,137

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 2019

(Unit: Baht)

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		2019	2018	2019	2018
Shareholders' equity					
Share capital					
Registered					
613,000,000 ordinary shares of Baht 1 each		613,000,000	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	613,000,000
Share premium		427,822,558	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	15,300,000
Retained earnings					
Appropriated - statutory reserve	20	61,300,000	61,300,000	61,300,000	61,300,000
Unappropriated		1,502,743,734	1,215,644,865	1,502,579,113	1,215,590,596
Total shareholders' equity		2,620,166,292	2,333,067,423	2,620,001,671	2,333,013,154
Total liabilities and shareholders' equity		6,709,602,374	5,845,670,560	6,709,437,753	5,845,616,291

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 2019

(Unit: Baht)

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		2019	2018	2019	2018
Profit or loss:					
Revenues					
Hire purchase interest income		1,805,780,558	1,579,802,363	1,805,780,558	1,579,802,363
Fee and service income		83,192,254	72,543,496	83,192,254	72,543,496
Other income		25,672,773	18,769,299	25,672,773	18,769,299
Total revenues		1,914,645,585	1,671,115,158	1,914,645,585	1,671,115,158
Expenses					
Selling and administrative expenses		343,657,889	323,468,494	343,657,889	323,468,494
Bad debts and doubtful accounts	7.6	512,504,015	438,135,759	512,504,015	438,135,759
Loss on impairment and on disposal of assets foreclosed	22	245,207,682	229,589,173	245,207,682	229,589,173
Total expenses		1,101,369,586	991,193,426	1,101,369,586	991,193,426
Profit before finance cost, share of gain from investment in an associated company and income tax expenses					
Finance cost		(152,045,978)	(130,108,054)	(152,045,978)	(130,108,054)
Profit before share of gain from investment in an associated company and income tax expenses					
Share of gain from investment in an associated company	10.2	110,352	7,102	-	-
Profit before income tax expenses		661,340,373	549,820,780	661,230,021	549,813,678
Income tax expenses	13.2	(132,272,066)	(110,528,975)	(132,272,066)	(110,528,975)
Profit for the year		529,068,307	439,291,805	528,957,955	439,284,703
Other comprehensive income:					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial gain (loss)		(3,624,298)	384,257	(3,624,298)	384,257
Income tax relating to actuarial (gain) loss	13.2	724,860	(76,851)	724,860	(76,851)
Other comprehensive income for the year (loss)		(2,899,438)	307,406	(2,899,438)	307,406
Total comprehensive income for the year		526,168,869	439,599,211	526,058,517	439,592,109
Earnings per share					
Basic earnings per share	23	0.86	0.72	0.86	0.72

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 2019

(Unit: Baht)

Financial statements in which the equity method is applied

	Issued and fully		Capital reserve	Retained earnings		Total shareholders' equity
	paid-up share capital	Share premium	for share-based payment transactions	Appropriated - statutory reserve	Unappropriated	
Balance as at 1 January 2018	613,000,000	427,822,558	15,300,000	61,300,000	978,335,654	2,095,758,212
Profit for the year	-	-	-	-	439,291,805	439,291,805
Other comprehensive income for the year	-	-	-	-	307,406	307,406
Total comprehensive income for the year	-	-	-	-	439,599,211	439,599,211
Dividend paid (Note 26)	-	-	-	-	(202,290,000)	(202,290,000)
Balance as at 31 December 2018	<u>613,000,000</u>	<u>427,822,558</u>	<u>15,300,000</u>	<u>61,300,000</u>	<u>1,215,644,865</u>	<u>2,333,067,423</u>
Balance as at 1 January 2019	613,000,000	427,822,558	15,300,000	61,300,000	1,215,644,865	2,333,067,423
Profit for the year	-	-	-	-	529,068,307	529,068,307
Other comprehensive income for the year (loss)	-	-	-	-	(2,899,438)	(2,899,438)
Total comprehensive income for the year	-	-	-	-	526,168,869	526,168,869
Dividend paid (Note 26)	-	-	-	-	(239,070,000)	(239,070,000)
Balance as at 31 December 2019	<u>613,000,000</u>	<u>427,822,558</u>	<u>15,300,000</u>	<u>61,300,000</u>	<u>1,502,743,734</u>	<u>2,620,166,292</u>

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 2019

(Unit: Baht)

Separate financial statements

	Issued and fully		Capital reserve	Retained earnings		Total shareholders' equity
	paid-up share capital	Share premium	for share-based payment transactions	Appropriated - statutory reserve	Unappropriated	
Balance as at 1 January 2018	613,000,000	427,822,558	15,300,000	61,300,000	978,288,487	2,095,711,045
Profit for the year	-	-	-	-	439,284,703	439,284,703
Other comprehensive income for the year	-	-	-	-	307,406	307,406
Total comprehensive income for the year	-	-	-	-	439,592,109	439,592,109
Dividend paid (Note 26)	-	-	-	-	(202,290,000)	(202,290,000)
Balance as at 31 December 2018	<u>613,000,000</u>	<u>427,822,558</u>	<u>15,300,000</u>	<u>61,300,000</u>	<u>1,215,590,596</u>	<u>2,333,013,154</u>
Balance as at 1 January 2019	613,000,000	427,822,558	15,300,000	61,300,000	1,215,590,596	2,333,013,154
Profit for the year	-	-	-	-	528,957,955	528,957,955
Other comprehensive income for the year (loss)	-	-	-	-	(2,899,438)	(2,899,438)
Total comprehensive income for the year	-	-	-	-	526,058,517	526,058,517
Dividend paid (Note 26)	-	-	-	-	(239,070,000)	(239,070,000)
Balance as at 31 December 2019	<u>613,000,000</u>	<u>427,822,558</u>	<u>15,300,000</u>	<u>61,300,000</u>	<u>1,502,579,113</u>	<u>2,620,001,671</u>

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 2019

(Unit: Baht)

	Financial statements in which			
	the equity method is applied		Separate financial statements	
	2019	2018	2019	2018
Cash flows from operating activities				
Profit before income tax	661,340,373	549,820,780	661,230,021	549,813,678
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities				
Depreciation	6,940,880	6,104,728	6,940,880	6,104,728
Bad debts and doubtful accounts	512,504,015	438,135,759	512,504,015	438,135,759
Loss on impairment of assets foreclosed	4,828,369	7,606,021	4,828,369	7,606,021
Gain on sale assets	(58,219)	(1,236)	(58,219)	(1,236)
Loss on written-off assets	8,279	23,835	8,279	23,835
Share of gain from investment in an associated company	(110,352)	(7,102)	-	-
Provision for long-term employee benefits	2,470,860	1,757,632	2,470,860	1,757,632
Hire purchase interest income	(1,805,780,558)	(1,579,802,363)	(1,805,780,558)	(1,579,802,363)
Interest expenses and amortisation of loans issuing cost	152,045,978	130,108,054	152,045,978	130,108,054
Loss from operating activities before changes in operating assets and liabilities	(465,810,375)	(446,253,892)	(465,810,375)	(446,253,892)
Operating assets (increase) decrease				
Hire purchase receivables	(1,324,148,613)	(1,222,090,678)	(1,324,148,613)	(1,222,090,678)
Assets foreclosed	(8,901,287)	(16,874,006)	(8,901,287)	(16,874,006)
Prepaid insurance premium	(9,836,884)	3,170,966	(9,836,884)	3,170,966
Other current assets	2,174,958	(8,998,283)	2,174,958	(8,998,283)
Other non-current assets	(47,000)	-	(47,000)	-
Operating liabilities increase				
Trade accounts payables	23,571,958	19,005,730	23,571,958	19,005,730
Insurance premium payables	2,568,480	1,550,255	2,568,480	1,550,255
Accrued expenses	5,675,926	1,578,335	5,675,926	1,578,335
Other current liabilities	2,100,206	10,103,888	2,100,206	10,103,888
Cash flows used in operating activities	(1,772,652,631)	(1,658,807,685)	(1,772,652,631)	(1,658,807,685)
Cash received from interest	1,794,192,622	1,565,532,660	1,794,192,622	1,565,532,660
Cash paid for corporate income tax	(130,173,332)	(139,595,382)	(130,173,332)	(139,595,382)
Cash paid for interest	(132,776,457)	(115,623,564)	(132,776,457)	(115,623,564)
Net cash flows used in operating activities	(241,409,798)	(348,493,971)	(241,409,798)	(348,493,971)

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 2019

(Unit: Baht)

	Financial statements in which		Separate financial statements	
	the equity method is applied			
	2019	2018	2019	2018
Cash flows from investing activities				
Increase in restricted bank deposits	(111,049)	(186,670)	(111,049)	(186,670)
Cash received for proceed of equipment	62,525	6,452	62,525	6,452
Cash paid for acquisition of building and equipment	(6,870,221)	(3,659,661)	(6,870,221)	(3,659,661)
Net cash flows used in investing activities	(6,918,745)	(3,839,879)	(6,918,745)	(3,839,879)
Cash flows from financing activities				
Increase (decrease) in short-term loans from financial institutions	(10,000,000)	170,000,000	(10,000,000)	170,000,000
Increase in short-term loans	48,062,708	276,247,986	48,062,708	276,247,986
Cash receiver from debentures	224,694,800	-	224,694,800	-
Repayment of debentures	(150,000,000)	(500,000,000)	(150,000,000)	(500,000,000)
Cash received from long-term loans	2,342,000,000	2,020,000,000	2,342,000,000	2,020,000,000
Repayment of long-term loans	(1,943,886,379)	(1,405,101,444)	(1,943,886,379)	(1,405,101,444)
Payment for loans issuing cost	(5,700,000)	(4,200,000)	(5,700,000)	(4,200,000)
Payment for dividends	(239,070,000)	(202,290,000)	(239,070,000)	(202,290,000)
Net cash flows from financing activities	266,101,129	354,656,542	266,101,129	354,656,542
Net increase in cash and cash equivalents	17,772,586	2,322,692	17,772,586	2,322,692
Cash and cash equivalents at beginning of year	23,670,440	21,347,748	23,670,440	21,347,748
Cash and cash equivalents at end of year	41,443,026	23,670,440	41,443,026	23,670,440

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 2019

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 2019, the Company has 9 branches located in Chonburi, Ayudhya, Rayong, Nakhon Ratchasima, Prachinburi and Chantaburi (2018: 7 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

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

During the year, the Company has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements. However, the new standard involves changes to key principles, which are summarised below:

TFRS 15 Revenue from Contracts with Customers

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

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

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

This standard does not have any significant impact on the Company's financial statements.

(b) Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards except the following new standards which involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

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

The management of the Company expects that the adoption of these accounting standards may result in the decrease of 3.75 percent in the Company's retained earnings as at 1 January 2020 due to the following adjustments.

- The Company will have to recognise an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit - impaired event to have occurred.
- Recognition of derivatives - The Company is to initially recognise derivatives at their fair value on the contract date and subsequently measure them at fair value at the end of each reporting period. Changes in the fair value of derivatives are recognised in profit or loss.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The management of the Company believes that adoption of this standard will not have any significant impact on the financial statements.

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

Short-term employee benefits

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

Post-employment benefits

Defined contribution plans

The Company 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.

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.

Current tax

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

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

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

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

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

4.12 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)	
	2019	2018
Cash and cash equivalents	758,800	607,000
Bank deposits	40,684,226	23,063,440
Total	<u>41,443,026</u>	<u>23,670,440</u>

As at 31 December 2019, bank deposits in savings accounts and fixed deposits are carried interest at the rates between 0.10 - 0.90 percent per annum (2018: 0.10 - 0.90 percent per annum) as announced by the banks.

7. Hire purchase receivables

7.1 As at 31 December 2019 and 2018, the contracted terms of the Company's hire purchase receivables are 12 - 48 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)

	2019		
	Amounts due within 1 year ⁽²⁾	Amounts due over 1 year	Total
Hire purchase receivables	5,633,839,744	3,905,331,616	9,539,171,360
Less: Unearned hire purchase income ⁽¹⁾	(1,736,833,740)	(810,512,539)	(2,547,346,279)
Present value of the minimum lease payment receivables	3,897,006,004	3,094,819,077	6,991,825,081
Less: Allowance for doubtful accounts ⁽³⁾	(774,322,598)	(32,920,000)	(807,242,598)
Net hire purchase receivables	3,122,683,406	3,061,899,077	6,184,582,483

⁽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)

	2018		
	Amounts due within 1 year ⁽²⁾	Amounts due over 1 year	Total
Hire purchase receivables	4,961,860,696	3,375,510,326	8,337,371,022
Less: Unearned hire purchase income ⁽¹⁾	(1,529,960,552)	(694,716,671)	(2,224,677,223)
Present value of the minimum lease payment receivables	3,431,900,144	2,680,793,655	6,112,693,799
Less: Allowance for doubtful accounts ⁽³⁾	(722,794,696)	(28,549,154)	(751,343,850)
Net hire purchase receivables	2,709,105,448	2,652,244,501	5,361,349,949

⁽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.

7.2 As at 31 December 2019 and 2018, 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	
	2019	2018		2019	2018
Not yet due	4,831,170,810	4,104,758,403	1	48,310,287	41,046,948
Past due					
Less than 1 month	740,865,990	701,531,961	1	7,408,660	7,015,320
1 month or more, but less than 2 months	383,453,965	328,767,980	1	3,834,526	3,287,667
2 months or more, but less than 4 months	319,025,688	307,797,484	2	6,380,497	6,155,944
4 months or more, but less than 7 months	203,284,997	183,847,241	100	203,284,997	183,847,241
7 months or more, but less than 13 months	261,322,399	211,553,089	100	261,322,399	211,553,089
13 months or more	252,701,232	274,437,641	100	252,701,232	274,437,641
Total	6,991,825,081	6,112,693,799		783,242,598	727,343,850
Allowance for doubtful accounts - additional provision for uncollectible receivables				24,000,000	24,000,000
Total				807,242,598	751,343,850

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 2019, the Company had hire purchase receivables amounting to Baht 1,057 million (before netting with unearned hire purchase income) for which revenue recognition has ceased (2018: Baht 974 million).

7.5 As at 31 December 2019, the Company had transferred rights of claim under hire purchase agreements with outstanding balances (before netting with unearned hire purchase income) of Baht 1,098 million (2018: Baht 1,272 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	
	2019	2018
Balance beginning of the year	751,343,850	678,781,092
Add: Doubtful account increase during the year	512,504,015	438,135,759
Less: Bad debt written-off	(456,605,267)	(365,573,001)
Balance end of the year	<u>807,242,598</u>	<u>751,343,850</u>

8. Assets foreclosed

	(Unit: Baht)	
	2019	2018
Assets foreclosed - cost	43,836,057	34,934,770
Less: Allowance for impairment	(20,061,177)	(15,232,808)
Assets foreclosed - net	<u>23,774,880</u>	<u>19,701,962</u>

9. Other current assets

	(Unit: Baht)	
	2019	2018
Advance VAT receivable	28,543,548	25,838,785
Other receivable - sales of assets foreclosed	3,459,380	5,008,352
Revenue department receivables	2,366,975	5,484,858
Other accrued income	6,254,759	4,741,934
Others	4,036,470	3,380,776
Total	<u>44,661,132</u>	<u>44,454,705</u>

10. Investment in an associated company

10.1 Detail of an associated company

(Unit: Baht)

Company's name	Nature of business	Shareholding percentage		Financial statements in which the equity method is applied		Separate financial statements	
		31 December 2019	31 December 2018	Book value 31 December 2019	Book value 31 December 2018	Cost/Book value 31 December 2019	Cost/Book value 31 December 2018
MOD S Company Limited	Manage and develop quality of assets	25 (%)	25 (%)	414,611	304,259	249,990	249,990

10.2 Share of comprehensive income and dividend

During the year ended 31 December 2019 and 2018, the Company recognised shares of gain from investment in an associated company in the financial statements in which the equity method is applied and no dividends received from the associated company during the year as follows:

(Unit: Baht)

Company's name	Share of gain from investment for the year ended 31 December	
	2019	2018
MOD S Company Limited	110,352	7,102

10.3 Summarised financial information of an associated company

Summarised financial information of MOD S Company Limited as at 31 December 2019 and 2018, and for the year ended 31 December 2019 and 2018, 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)	
	2019	2018
Total assets	1,935,886	1,372,742
Total liabilities	277,443	155,705
Net assets	1,658,443	1,217,037

Summarised information about income statement

	(Unit: Baht)	
	For the years ended 31 December	
	2019	2018
Revenues	5,773,835	2,703,220
Profit for the year	441,406	38,409

11. Restricted bank deposits

As at 31 December 2019 and 2018, 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 28.1 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 2019 and 2018 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 2018	45,620,289	41,743,660	14,525,517	8,640,247	15,279,970	-	125,809,683
Additions	-	-	1,589,283	795,260	959,036	316,082	3,659,661
Disposals/written off	-	-	(157,651)	(98,774)	-	-	(256,425)
Transferred in (out)	-	316,082	-	-	-	(316,082)	-
31 December 2018	45,620,289	42,059,742	15,957,149	9,336,733	16,239,006	-	129,212,919
Additions	-	-	1,063,426	2,005,592	2,492,502	1,308,700	6,870,221
Disposals/written off	-	-	(49,081)	(16,498)	(369,999)	-	(435,579)
Transferred in (out)	-	1,303,400	-	-	-	(1,303,400)	-
31 December 2019	45,620,289	43,363,142	16,971,494	11,325,827	18,361,509	5,300	135,647,561
Accumulated depreciation							
1 January 2018	-	6,846,863	9,876,645	6,648,644	13,042,694	-	36,414,846
Depreciation during the year	-	2,104,151	1,766,108	1,089,193	1,145,276	-	6,104,728
Depreciation for disposals/written off	-	-	(129,424)	(97,951)	-	-	(227,375)
31 December 2018	-	8,951,014	11,513,329	7,639,886	14,187,970	-	42,292,199
Depreciation during the year	-	2,123,426	1,955,339	1,213,240	1,648,875	-	6,940,880
Depreciation for disposals/written off	-	-	(36,518)	(16,475)	(369,999)	-	(422,992)
31 December 2019	-	11,074,440	13,432,150	8,836,651	15,466,846	-	48,810,087
Net book value							
31 December 2018	45,620,289	33,108,728	4,443,820	1,696,847	2,051,036	-	86,920,720
31 December 2019	45,620,289	32,288,702	3,539,344	2,489,176	2,894,663	5,300	86,837,474
Depreciation charge for the years ended 31 December							
2018							6,104,728
2019							6,940,880

As at 31 December 2019, certain items of building, 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 28 million (2018: Baht 20 million).

13. Deferred tax assets/income tax expenses

13.1 Deferred tax assets

As at 31 December 2019 and 2018, the components of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Baht)	
	2019	2018
Deferred tax assets		
Allowance for doubtful accounts	161,448,520	150,268,770
Allowance for impairment of assets foreclosed	4,012,235	3,046,562
Provision for long-term employee benefits	3,433,321	2,214,290
Advance receive from insurance premium	11,029,373	9,596,019
Others	700,183	588,332
Total	<u>180,623,632</u>	<u>165,713,973</u>
Deferred tax liabilities		
Deferred commission and initial direct cost from hire purchase contracts	26,881,373	23,617,563
Deferred loans issuing costs	1,635,222	1,274,550
Deferred debentures issuing cost	305,252	26,770
Total	<u>28,821,847</u>	<u>24,918,883</u>
Deferred tax assets - net	<u>151,801,785</u>	<u>140,795,090</u>

13.2 Income tax expenses

Income tax expenses for the years ended 31 December 2019 and 2018 are as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2019	2018
Current income tax:		
Corporate income tax charge for the year	142,553,901	126,098,788
Deferred tax:		
Relating to origination and reversal of temporary differences	(10,281,835)	(15,569,813)
Income tax expenses reported in the statements of comprehensive income	<u>132,272,066</u>	<u>110,528,975</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2019 and 2018 are as follows:

	(Unit: Baht)	
	2019	2018
Deferred tax relating to actuarial (gain) loss	724,860	(76,851)

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	
	2019	2018	2019	2018
Accounting profit before tax	661,340,373	549,820,780	661,230,021	549,813,678
Applicable tax rate	20%	20%	20%	20%
Amount of profit before tax multiplied by applicable tax rate	132,268,075	109,964,156	132,246,004	109,962,736
Tax effect of tax-exempt income and disallowed expenses	3,991	564,819	26,062	566,239
Income tax expenses reported in the statements of comprehensive income	<u>132,272,066</u>	<u>110,528,975</u>	<u>132,272,066</u>	<u>110,528,975</u>

14. Short-term loans from financial institutions

	Interest rate (percent per annum)	(Unit: Baht)	
		2019	2018
Promissory notes	3.85	190,000,000	200,000,000

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 2019, the short-term credit facilities which have not yet been drawn down amounted to Baht 60 million.

15. Short-term loans

As at 31 December 2019, the Company has loans in form of bills of exchange, net of discount, totaling Baht 586 million, the bills are registered, transferable, and maturing within 270 days from the date of issuance (maturity date between January - June 2020), with interest charged at the rate of 3.05 - 3.65 percent per annum (2018: Bills of exchange of Baht 523 million, registered, transferable, and maturing within 270 days from the date of issuance, maturity date between January - May 2019, with interest charge at the rate of 3.22 - 3.65 percent per annum).

16. Long-term loans

As at 31 December 2019 and 2018, the 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	2019	2018
1	Loan agreement dated 27 June 2014	MLR - 2.63	Payment in 30 equal installments, with the first installment payment on the last day of the month of drawdown	1,438,196,641	1,060,968,247
2	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	2,700,000	122,200,000
3	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	122,014,353	323,898,136
4	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	112,900,000	384,900,000
5	Loan agreement dated 29 June 2018	4.4	Payment in 30 equal installments, with the first installment payment on the last day of the month of drawdown	384,896,763	213,741,491
6	Loan agreement dated 9 July 2018	THBFIX6M + 1.65	Payment in 30 installments, with the first installment payment on the last day of the month of drawdown	347,164,000	346,780,000
7	Loan agreement dated 28 June 2019	4.4	Payment in 30 equal installments, with the first installment payment on the last day of the month of drawdown	239,739,738	-
8	Loan agreement dated 11 September 2019	THBFIX6M + 1.65	Payment in 30 installments, with the first installment payment on the last day of the month of drawdown	202,990,000	-
Total				2,850,601,495	2,452,487,874
Less: Deferred loans issuing costs				(8,826,237)	(7,022,872)
Long-term loans				2,841,775,258	2,445,465,002
Less: current portion due within 1 year				(1,759,599,794)	(1,497,959,547)
Long-term loans, net of current portion				1,082,175,464	947,505,455

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 2019, the Company has commitments of Baht 666 million under interest rate swap agreements with a bank that is the Company's lender for loan facilities no 2,4,6 and 8 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 2021, in accordance with the conditions of loan repayment (2018: the Company had commitments of Baht 854 million under interest rate swap agreements for loan facility no.2, 4 and 6).

As at 31 December 2019, the Company has long-term credit facilities which have not yet been drawn down amounted to Baht 1,272 million.

Movements in the long-term loans account during the year ended 31 December 2019 and 2018 are summarised below.

	(Unit: Baht)	
	For the years ended 31 December	
	2019	2018
Balance at the beginning of year	2,452,487,874	1,837,589,318
Add: Addition borrowings during the year	2,342,000,000	2,020,000,000
Less: Loans repayment during the year	(1,943,886,379)	(1,405,101,444)
Balance at the end of year	<u>2,850,601,495</u>	<u>2,452,487,874</u>

17. Debt issued - debentures

As at 31 December 2019 and 2018, there were debentures issued by the Company has detailed below.

No.	Date	Repayment schedule	(Unit: Baht)	
			2019	2018
1	22 November 2016	Issued name registered, unsubordinated and unsecured without a debentures representative, 3 years term with a coupon rate at 4.10% per annum, interest payable every six months	-	150,000,000
2	26 November 2019	Issued name registered, unsubordinated and unsecured without a debentures representative, 2 years term with a coupon rate at 4% per annum, interest payable every quarter	226,300,000	-
Total			226,300,000	150,000,000
Less: Deferred issuing costs			(1,526,256)	(133,850)
Debentures			224,773,744	149,866,150
Less: Current portion due within 1 year			-	(149,866,150)
Debentures - net of current portion			224,773,744	-

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

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	
	2019	2018
Provision for long-term employee benefits at beginning of year	11,071,449	9,698,074
Included in profit or loss:		
Current service cost	2,113,657	1,461,167
Interest cost	357,202	296,466
Included in other comprehensive income:		
Actuarial (gain) loss arising from		
Financial assumptions changes	767,354	(507,919)
Experience adjustments	2,856,945	123,661
Provision for long-term employee benefits at end of year	17,166,607	11,071,449

Principal actuarial assumptions at the valuation date were as follows:

	31 December 2019	31 December 2018
	(% per annum)	(% per annum)
Discount rate	1.94	3.23
Future salary increase rate	6.50	6.50
Staff turnover rate	10.57	13.36

As at 31 December 2019, the weighted average duration of the liabilities for long-term benefit is 22.41 years (2018: 21.99 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 2019 and 2018 are summarised below.

(Unit: Baht)				
2019				
	Rate increase 1%		Rate decrease 1%	
Discount rate	Liabilities decreased by	1,051,226	Liabilities increased by	1,227,479
Salary increase rate	Liabilities increased by	1,142,505	Liabilities decreased by	1,004,662
Turnover rate	Liabilities decreased by	1,009,495	Liabilities increased by	1,176,149
(Unit: Baht)				
2018				
	Rate increase 1%		Rate decrease 1%	
Discount rate	Liabilities decreased by	471,709	Liabilities increased by	530,588
Salary increase rate	Liabilities increased by	493,799	Liabilities decreased by	449,346
Turnover rate	Liabilities decreased by	433,578	Liabilities increased by	487,966

19. Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business and boost the value of the holdings of the Company's shareholders. As at 31 December 2019, the Company had a debt-to-equity ratio of 1.56:1 (2018: 1.51:1).

20. 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.

At present, the Company allotted profit of 10 percent of the registered capital to the statutory reserve.

21. Expenses by nature

Significant selling and administrative expenses by nature are as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2019	2018
Salary, wages and other employee benefits	152,465,952	144,226,370
Insurance premium expenses	107,156,569	108,378,547
Stamp duties and postal expenses	12,281,064	10,488,933
Expense relating demands for payment	14,299,585	9,563,158
Depreciation	6,425,675	6,104,728
Registration expenses	7,205,174	6,335,789
Utilities expenses	5,059,587	4,906,438
Miscellaneous for office expenses	2,499,183	2,131,451

22. Loss on impairment and disposal of assets foreclosed

	(Unit: Baht)	
	For the years ended 31 December	
	2019	2018
Loss on impairment of assets foreclosed	4,828,369	7,606,021
Loss on disposal of assets foreclosed	240,379,313	221,983,152
Total	<u>245,207,682</u>	<u>229,589,173</u>

23. 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.

24. 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 2019 amounting to Baht 2.54 million (2018: Baht 2.41 million) were recognised as expenses.

25. 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		
	(Unit: Baht)		
	For the years ended		
	31 December		
	2019	2018	Pricing policy
<u>Transactions with associate</u>			
Service income	1,143	4,255	As stipulated in agreements
Service expenses	5,192,345	2,225,491	As stipulated in agreements
<u>Transactions with directors and related persons</u>			
Interest expense	149,918	-	As stipulated in agreements
Amortisation of debenture issuing cost	13,256	-	As stipulated in agreements

The balance of the accounts as at 31 December 2019 and 2018 between the Company and associate company, directors and related persons are as follows:

	(Unit: Baht)	
	2019	2018
<u>An associated company</u>		
Service payable	524,980	272,196
<u>Directors and related persons</u>		
Interest payable	149,918	-
Debenture	37,743,713	-

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	
	2019	2018
Short-term employee benefits	19,242,510	20,404,285
Post-employment benefits	1,502,484	1,047,169
Total	<u>20,744,994</u>	<u>21,451,454</u>

26. Dividends

Dividends	Approved by	Total dividends	Dividend per share
		Million Baht	Baht
Dividends from the operating result for the year ended 31 December 2018	The annual general meeting of the Company's shareholders No. 1/2019 on 4 April 2019	147.12	0.24
Interim dividend from the operating result of the 2019 first half year	The Board of Director's Meeting of the Company's No. 3/2019 on 13 August 2019	91.95	0.15
		<u>239.07</u>	
Dividends from the operating result for the year ended 31 December 2017	The annual general meeting of the Company's shareholders No. 1/2018 on 5 April 2018	128.73	0.21
Interim dividend from the operating result of the 2018 first half year	The Board of Director's Meeting of the Company's No. 3/2018 on 10 August 2018	73.56	0.12
		<u>202.29</u>	

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 2019 and 2018.

28. Commitments

28.1 Guarantees

As at 31 December 2019 and 2018, 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.

28.2 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.

28.3 Operating lease and service agreements

The Company has entered into several lease agreements in respect of land, office building space and other services. The terms of the agreements are generally between 1 and 15 years. As at 31 December 2019, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

	(Unit: Baht)
	<u>2019</u>
Payable:	
In up to 1 year	2,595,332
In over 1 and up to 5 years	2,876,526
In over 5 years	7,814,180

29. 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, short-term loans from financial institutions, trade accounts payables, short-term loans, long-term loans and debt issued - debentures. The financial risks associated with these financial instruments and how they are managed is described below.

29.1 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.

29.2 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 2019 and 2018 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	2019				
	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	-	-	25,716,071	15,726,955	41,443,026
Hire purchase receivables ⁽¹⁾	3,122,683,406	3,061,899,077	-	-	6,184,582,483
Restricted bank deposits	11,183	-	1,033,670	-	1,044,853
Financial liabilities					
Short-term loans from financial institutions	190,000,000	-	-	-	190,000,000
Trade accounts payables	-	-	-	70,674,347	70,674,347
Short-term loans	585,996,599	-	-	-	585,996,599
Long-term loans	468,663,182	274,282,114	2,098,829,962	-	2,841,775,258
Debt issued - debentures	-	224,773,744	-	-	224,773,744

(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	2018				
	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	-	-	16,139,637	7,530,803	23,670,440
Hire purchase receivables ⁽¹⁾	2,709,105,448	2,652,244,501	-	-	5,361,349,949
Restricted bank deposits	11,084	-	922,720	-	933,804
Financial liabilities					
Short-term loans from financial institutions	200,000,000	-	-	-	200,000,000
Trade accounts payables	-	-	-	47,102,389	47,102,389
Short-term loans	522,663,928	-	-	-	522,663,928
Long-term loans	293,723,867	242,067,189	1,909,673,946	-	2,445,465,002
Debt issued - debentures	149,866,150	-	-	-	149,866,150

(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 2019, 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.

29.3 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 incurrance of a financial loss.

Counting from the financial position date, the periods to maturity of financial instruments held as at 31 December 2019 and 2018 are as follows:

(Unit: Baht)

Transactions	2019				Total
	At call	Within 1 year	Over 1 year	No specific maturity	
Financial assets					
Cash and cash equivalents	41,443,026	-	-	-	41,443,026
Hire purchase receivables ⁽¹⁾	-	3,122,683,406	3,061,899,077	-	6,184,582,483
Restricted bank deposits	-	-	-	1,044,853	1,044,853
Financial liabilities					
Short-term loans from financial institutions	190,000,000	-	-	-	190,000,000
Trade accounts payables	-	70,674,347	-	-	70,674,347
Short-term loans	-	585,996,599	-	-	585,996,599
Long-term loans	-	1,759,599,794	1,082,175,464	-	2,841,775,258
Debt issued - debentures	-	-	224,773,744	-	224,773,744

(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	2018				Total
	At call	Within 1 year	Over 1 year	No specific maturity	
Financial assets					
Cash and cash equivalents	23,670,440	-	-	-	23,670,440
Hire purchase receivables ⁽¹⁾	-	2,709,105,448	2,652,244,501	-	5,361,349,949
Restricted bank deposits	-	-	-	933,804	933,804
Financial liabilities					
Short-term loans from financial institutions	200,000,000	-	-	-	200,000,000
Trade accounts payables	-	47,102,389	-	-	47,102,389
Short-term loans	-	522,663,928	-	-	522,663,928
Long-term loans	-	1,497,959,547	947,505,455	-	2,445,465,002
Debt issued - debentures	-	149,866,150	-	-	149,866,150

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

29.4 Fair values

As at 31 December 2019 and 2018, 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)

	2019				
	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	41,443,026	41,443,026	41,443,026	-	-
Hire purchase receivables	6,184,582,483	6,085,267,059	-	-	6,085,267,059
Restricted bank deposits	1,044,853	1,044,853	1,044,853	-	-
<u>Financial liabilities for which fair value are disclosed</u>					
Short-term loans from financial institutions	190,000,000	190,000,000	-	190,000,000	-
Trade accounts payables	70,674,347	70,674,347	70,674,347	-	-
Short-term loans	585,996,599	585,996,599	-	585,996,599	-
Long-term loans	2,841,775,258	2,843,940,000	-	2,843,940,000	-
Debt issued - debentures	224,773,744	225,210,666	-	225,210,666	-

(Unit: Baht)

	2018				
	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	23,670,440	23,670,440	23,670,440	-	-
Hire purchase receivables	5,361,349,949	5,287,239,665	-	-	5,287,239,665
Restricted bank deposits	933,804	933,804	933,804	-	-
<u>Financial liabilities for which fair value are disclosed</u>					
Short-term loans from financial institutions	200,000,000	200,000,000	-	200,000,000	-
Trade accounts payables	47,102,389	47,102,389	47,102,389	-	-
Short-term loans	522,663,928	522,663,928	-	522,663,928	-
Long-term loans	2,445,465,002	2,446,715,839	-	2,446,715,839	-
Debt issued - debentures	149,866,150	149,870,015	-	149,870,015	-

Fair value hierarchy for financial assets and liabilities as at 31 December 2019 and 2018 is stipulated in notes 4.15 to the financial statements.

As at 31 December 2019 and 2018, 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, short-term loans from financial institutions, 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.

In addition, as at 31 December 2019, 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 8.59 million.

30. Events after the reporting period

On 13 February 2020, the Board of Director Meeting of the Company No.1/2020 passed the resolutions to propose to the Annual General Meeting of shareholders to approve a dividend payment from the 2019 operating results at a rate of Baht 0.43 per share, or a total of Baht 263.59 million. The Company paid an interim dividend of Baht 0.15 per share on 12 September 2019 and is therefore to pay another final dividend of Baht 0.28 per share.

31. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 13 February 2020.