

Report of the Independent Certified Public Accountants



REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS

NOK AIRLINES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

Opinion

We have audited the consolidated financial statements of Nok Airlines Public Company Limited and its subsidiaries (“the Group”) and the separate financial statements of Nok Airlines Public Company Limited (“the Company”), which comprise the consolidated and separate statements of financial position as at December 31, 2016, and the related consolidated and separate statements of profit or loss and other comprehensive income, changes in shareholders’ equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of Nok Airlines Public Company Limited and its subsidiaries and of Nok Airlines Public Company Limited as at December 31, 2016, and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

We conducted our audit in accordance with Thai Standards on Auditing (TSAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated and separate Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants determined by Federation of Accounting Professions under the Royal Patronage of His Majesty the King (the Code of Ethics) together with the ethical requirements that relevant to our audit of the consolidated and separate financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte Touche Tohmatsu Jaiyos Audit
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Key Audit Matters

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

Key Audit Matters	Key Audit Responses
<p>Revenue recognition</p> <p>Revenue recognition from airfare and related services are recognized when the services have been rendered to the passengers according to flight schedule. Proceeds from sales of the air tickets before rendering service that have not been recognized as revenue are presented as unearned income.</p> <p>Revenue recognition from airfare and related services is a key audit matter because of high occurrence of volume and frequency of transaction, variety of distribution channel, relevant to information technology connected to airfare booking and flight schedule system and significant revenue amount to the financial statements which may have risk of recording the transaction inaccuracy, incompleteness and incorrect accounting period.</p> <p>The accounting policy of revenue recognition from airfare and related service is disclosed in notes to financial statements No. 3.13.</p>	<p>Significant audit procedures to response the matter were as follows:</p> <ul style="list-style-type: none"> - Understood, evaluated the design and implementation of significant relevant key internal controls for revenue recognition and unearned income. - Tested the operating effectiveness of the significant relevant internal controls of revenue recognition and unearned income including testing general control of information technology system and relevant application control of revenue from airfare and related services and unearned income. - Tested the reconciliation of airfare booking in every channel and cash receipt information between airfare booking system and bank statement. - Verified by sample selection to compare flight information in the revenue report with flight schedule to ensure that revenue recognition from airfare and related services were recorded accurately, completeness and in the correct accounting period.

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Key Audit Matters	Key Audit Responses
<p>Provisions for aircraft maintenance</p> <p>Provisions for aircraft maintenance is a key audit matter because of the complex of transaction which the management of the Group need to exercise judgments in order to estimate the reasonableness of assumptions used to estimate aircraft maintenance in each period of maintenance schedule and expense for retaining the aircraft when returning aircraft according to lease agreement.</p> <p>The accounting policy and details of provision for aircraft maintenance and details are disclosed in note to financial statements No. 3.11, 3.19.1 and 18.</p>	<p>Significant audit procedures to response the matter were as below:</p> <ul style="list-style-type: none"> - Understood, evaluated the design and implementation of the relevant internal controls for provisions for aircraft maintenance. - Tested the operating effectiveness of the relevant internal controls. - Evaluated the reasonableness of the methods and significant assumptions used by management to estimate provisions for aircraft maintenance. The evaluation included recalculation of provision for aircraft maintenance based on assumption, reviewing maintenance condition on lease agreement and maintenance schedule obtained from engineering department, quotation from maintenance company. In addition, compared actual maintenance expense in the past with the current assumption.
<p>Gain on sale and leaseback transaction results in an operating lease</p> <p>The recognition gain on sale and leaseback aircraft is a key audit matter because the Company's management have to exercise significant judgments to determine the appropriateness of lease agreements whether they meet the criteria of operating lease, aircraft fair value and returned rental fee.</p> <p>The accounting policy and details of sale and lease back agreements under operating lease is disclosed in note to financial statements No. 3.16, 3.19.1 and 22.</p>	<p>Significant audit procedures to response the matter were as below:</p> <ul style="list-style-type: none"> - Understood, evaluated the design and implementation of controls for sale and lease back agreements under operating lease. - Tested and evaluated sale and leaseback transaction whether they meets the criteria to be accounted for sale and leaseback under operating lease. - Evaluated rental fees determined by lessor whether they are the normal course of business. - Inquired the management to evaluate the reasonableness of fair value of aircraft sold. - Tested the recalculation of gain on sale and leaseback aircraft by comparing aircraft selling price to fair value to ensure that gain on sale and leaseback aircraft were recorded accurately.

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Other Information

Management is responsible for the other information. The other information comprises information in the annual report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and the management of the Group.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group and 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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Deloitte Touche Tohmatsu Jaiyos Audit

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Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs 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 consolidated and separate financial statements.

As part of an audit in accordance with TSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and the separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Deloitte Touche Tohmatsu Jaiyos Audit

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We 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 we identify during our audit.

We also provide those charged with governance with a statement that we 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 our independence, and where applicable, related safeguards.

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



Niti Jungnitnirundr
Certified Public Accountant (Thailand)
Registration No. 3809

BANGKOK
February 28, 2017

DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.

Statement of Financial Position

Nok Airlines Public Company Limited and Subsidiaries



AS AT DECEMBER 31, 2016

UNIT : BAHT

	Notes	Consolidated		Separate	
		financial statements		financial statements	
		As at	As at	As at	As at
		December 31,	December 31,	December 31,	December 31,
		2016	2015	2016	2015
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	4.1	3,231,221,279	4,213,756,405	1,475,116,784	3,480,327,664
Temporary investments	5	-	316,044,000	-	300,000,000
Trade and other receivables	6	1,182,410,827	1,119,766,574	711,021,620	727,699,665
Inventories	7	31,401,062	20,557,272	31,401,062	20,557,272
Refundable value-added tax		132,528,696	262,664,437	14,919,717	95,245,369
Short-term aircraft deposits and prepayments	8	162,803,817	146,332,699	162,803,817	146,332,699
Other current assets		79,374,805	59,452,023	54,219,396	50,426,980
Total Current Assets		4,819,740,486	6,138,573,410	2,449,482,396	4,820,589,649
NON-CURRENT ASSETS					
Deposits at bank pledged as collateral	26.4	251,419,909	61,543,000	190,220,835	-
Investments in subsidiaries	9	-	-	4,949,000	4,949,000
Investments in joint venture	10	15,216,711	34,749,000	28,420,554	34,749,000
Other long-term investments	11	47,527,500	48,089,500	47,326,300	48,089,500
Long-term loans to a related party	12	-	-	970,000,000	970,000,000
Leasehold improvements and equipment	13	338,516,111	285,690,969	328,519,602	274,636,432
Intangible assets	14	65,199,789	48,322,800	59,725,453	41,992,053
Deferred tax assets	15	13,321,915	13,159,296	13,321,915	13,159,296
Long-term aircraft deposits and prepayments	8	417,393,744	466,388,252	360,214,858	408,785,241
Other non-current assets	12	32,516,870	13,707,860	41,835,387	26,493,713
Total Non-Current Assets		1,181,112,549	971,650,677	2,044,533,904	1,822,854,235
TOTAL ASSETS		6,000,853,035	7,110,224,087	4,494,016,300	6,643,443,884

Notes to the financial statements form an integral part of these financial statements

Statement of Financial Position (Continued)

Nok Airlines Public Company Limited and Subsidiaries



AS AT DECEMBER 31, 2016

UNIT : BAHT

	Notes	Consolidated		Separate	
		financial statements		financial statements	
		As at	As at	As at	As at
		December 31,	December 31,	December 31,	December 31,
		2016	2015	2016	2015
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Short-term loans from financial institutions	16	700,000,000	520,000,000	-	520,000,000
Trade and other payables	17	4,467,338,935	2,934,203,103	2,647,080,855	2,042,770,648
Deferred income from					
customer loyalty programmes		18,967,909	55,629,054	18,967,909	55,629,054
Short-term provisions for aircraft maintenance	18	128,239,187	133,908,652	92,247,326	113,497,382
Withholding tax payable		23,926,211	22,242,000	22,939,347	18,008,320
Other current liabilities		45,551,482	15,667,612	7,959,237	4,580,823
Total Current Liabilities		<u>5,384,023,724</u>	<u>3,681,650,421</u>	<u>2,789,194,674</u>	<u>2,754,486,227</u>
NON-CURRENT LIABILITIES					
Long-term provisions for aircraft maintenance	18	644,627,040	299,954,009	629,255,517	292,725,018
Employee benefit obligations	19	222,902,064	176,342,966	211,367,374	169,493,565
Other non-current liabilities		89,025,658	10,214,834	89,025,658	10,214,834
Total Non-Current Liabilities		<u>956,554,762</u>	<u>486,511,809</u>	<u>929,648,549</u>	<u>472,433,417</u>
TOTAL LIABILITIES		<u>6,340,578,486</u>	<u>4,168,162,230</u>	<u>3,718,843,223</u>	<u>3,226,919,644</u>

*Statement of Financial Position (Continued)**Nok Airlines Public Company Limited and Subsidiaries*

AS AT DECEMBER 31, 2016

UNIT : BAHT

	Notes	Consolidated		Separate	
		financial statements		financial statements	
		As at	As at	As at	As at
		December 31,	December 31,	December 31,	December 31,
		2016	2015	2016	2015
LIABILITIES AND SHAREHOLDERS' EQUITY					
(CONTINUED)					
SHAREHOLDERS' EQUITY					
SHARE CAPITAL					
Authorized share capital					
625,000,000 ordinary shares of Baht 1 each		625,000,000	625,000,000	625,000,000	625,000,000
Issued and paid-up share capital					
625,000,000 ordinary shares of Baht 1 each, fully paid		625,000,000	625,000,000	625,000,000	625,000,000
SHARE PREMIUM ACCOUNT					
- ORINARY SHARES		3,042,485,943	3,042,485,943	3,042,485,943	3,042,485,943
RETAINED EARNINGS (DEFICIT)					
Appropriated					
Legal reserve	21	62,500,000	62,500,000	62,500,000	62,500,000
Unappropriated (deficit)		(3,485,130,159)	(676,824,655)	(2,954,812,866)	(313,461,703)
Deficit from change in shareholding in a subsidiary	1.2	(5,940,185)	(5,940,185)	-	-
Total owners of the parent		238,915,599	3,047,221,103	775,173,077	3,416,524,240
Non-controlling interests		(578,641,050)	(105,159,246)	-	-
TOTAL SHAREHOLDERS' EQUITY (CAPITAL DEFICIENCY)		(339,725,451)	2,942,061,857	775,173,077	3,416,524,240
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					
		6,000,853,035	7,110,224,087	4,494,016,300	6,643,443,884

Notes to the financial statements form an integral part of these financial statements

Statement of Profit or Loss and Other Comprehensive Income
Nok Airlines Public Company Limited and Subsidiaries



FOR THE YEAR ENDED DECEMBER 31, 2016

UNIT : BAHT

	Notes	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
REVENUES					
Passenger revenues		14,762,412,651	12,854,802,436	11,619,852,749	12,032,793,553
Service revenues		1,463,207,076	897,813,141	819,970,770	816,355,135
Other income					
Interest income		36,606,433	44,454,509	41,601,926	52,110,945
Others	22	676,092,446	499,128,143	638,251,865	485,463,821
Total Revenue		<u>16,938,318,606</u>	<u>14,296,198,229</u>	<u>13,119,677,310</u>	<u>13,386,723,454</u>
EXPENSES					
Costs of passenger and services		19,087,496,171	14,902,294,875	14,872,988,890	12,999,517,390
Selling expenses		190,282,395	274,698,850	149,348,256	230,088,083
Administrative expenses		798,227,659	735,989,748	614,376,347	533,352,783
Finance costs		118,068,355	41,514,275	109,710,935	41,514,275
Total Expenses		<u>20,194,074,580</u>	<u>15,954,497,748</u>	<u>15,746,424,428</u>	<u>13,804,472,531</u>
SHARE OF LOSS ON INVESTMENTS IN					
JOINT VENTURE		14,147,369	-	-	-
LOSS BEFORE INCOME TAX		<u>(3,269,903,343)</u>	<u>(1,658,299,519)</u>	<u>(2,626,747,118)</u>	<u>(417,749,077)</u>
INCOME TAX EXPENSE	15	79,074	6,191,981	79,074	6,191,981
LOSS FOR THE YEARS		<u>(3,269,982,417)</u>	<u>(1,664,491,500)</u>	<u>(2,626,826,192)</u>	<u>(423,941,058)</u>
OTHER COMPREHENSIVE INCOME (LOSS)					
Item that will not be reclassified					
subsequently to profit or loss					
Actuarial (loss) gain on defined					
employee benefit plans	19.1	(12,046,584)	2,223,810	(14,766,664)	2,223,810
Income tax on item that					
will not be reclassified subsequently	15	241,693	(24,329)	241,693	(24,329)
OTHER COMPREHENSIVE INCOME (LOSS)		<u>(11,804,891)</u>	<u>2,199,481</u>	<u>(14,524,971)</u>	<u>2,199,481</u>
- NET FROM INCOME TAX					
TOTAL COMPREHENSIVE LOSS					
FOR THE YEARS		<u>(3,281,787,308)</u>	<u>(1,662,292,019)</u>	<u>(2,641,351,163)</u>	<u>(421,741,577)</u>

Statement of Profit or Loss and Other Comprehensive Income (Continued)

Nok Airlines Public Company Limited and Subsidiaries



FOR THE YEAR ENDED DECEMBER 31, 2016

UNIT : BAHT

	Notes	Consolidated		Separate	
		financial statements		financial statements	
		2016	2015	2016	2015
LOSS ATTRIBUTABLE TO					
Owners of the parent		(2,795,086,715)	(726,100,901)	(2,626,826,192)	(423,941,058)
Non-controlling interests		(474,895,702)	(938,390,599)	-	-
		<u>(3,269,982,417)</u>	<u>(1,664,491,500)</u>	<u>(2,626,826,192)</u>	<u>(423,941,058)</u>
TOTAL COMPREHENSIVE LOSS					
ATTRIBUTABLE TO					
Owners of the parent		(2,808,305,504)	(723,901,420)	(2,641,351,163)	(421,741,577)
Non-controlling interests		(473,481,804)	(938,390,599)	-	-
		<u>(3,281,787,308)</u>	<u>(1,662,292,019)</u>	<u>(2,641,351,163)</u>	<u>(421,741,577)</u>
BASIC LOSS PER SHARE (BAHT)		(4.47)	(1.16)	(4.20)	(0.68)
NUMBER OF WEIGHTED AVERAGE					
ORDINARY SHARES (SHARES)		625,000,000	625,000,000	625,000,000	625,000,000

Notes to the financial statements form an integral part of these financial statements

Statement of Changes in Shareholders' Equity

Nok Airlines Public Company Limited and Subsidiaries



FOR THE YEAR ENDED DECEMBER 31, 2016

UNIT : BAHT

Note	Consolidated financial statements						
	Total attributions to owners of the parent			Deficit from change in shareholding in a subsidiary		Total attributions to owners of the parent	
	Issued and paid-up share capital	Share premium account	Ordinary shares	Appropriated reserve	Unappropriated (Deficit)	Non-controlling interests	Total shareholders' equity (Capital deficiency)
Balances as of January 1, 2015	625,000,000	3,042,485,943		62,500,000	47,076,765		4,349,353,876
Changes in shareholders' equity							
for the year ended December 31, 2015							
Increase in share capital of a subsidiary	1.2	-	-	-	-	255,000,000	255,000,000
Total comprehensive loss for the year		-	-	-	(723,901,420)	(938,390,599)	(1,662,292,019)
Balances as of December 31, 2015	625,000,000	3,042,485,943		62,500,000	(676,824,655)	(105,159,246)	2,942,061,857

Statement of Changes in Shareholders' Equity (Continued)

Nok Airlines Public Company Limited and Subsidiaries

FOR THE YEAR ENDED DECEMBER 31, 2016

Note	Consolidated financial statements							UNIT : BAHT
	Issued and paid-up share capital	Share premium account	Share Ordinary shares	Total attributions to owners of the parent	Deficit from change in shareholding in a subsidiary	Total attributions to owners of the parent	Total shareholders' equity (Capital deficiency)	
Balances as of January 1, 2016	625,000,000	3,042,485,943	62,500,000	62,500,000	(676,824,655)	(5,940,185)	3,047,221,103	2,942,061,857
Changes in shareholders' equity for the year ended December 31, 2016	-	-	-	(2,808,305,504)	-	(2,808,305,504)	(2,808,305,504)	(3,281,787,308)
Total comprehensive loss for the year	625,000,000	3,042,485,943	62,500,000	(3,485,130,159)	(5,940,185)	238,915,599	(578,641,050)	(339,725,451)
Balances as of December 31, 2016								

Notes to the financial statements form an integral part of these financial statements

Statement of Changes in Shareholders' Equity (Continued)
Nok Airlines Public Company Limited and Subsidiaries



FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	Separate financial statements				Total shareholders' equity
		Issued and paid-up share capital	Share premium account ordinary shares	Retained earnings (loss) Appropriated legal reserve	Unappropriated (Deficit)	
Balances as of January 1, 2015		625,000,000	3,042,485,943	62,500,000	108,279,874	3,838,265,817
Changes in shareholders' equity						
for the year ended December 31, 2015		-	-	-	(421,741,577)	(421,741,577)
Total comprehensive loss for the year						
Balances as of December 31, 2015		625,000,000	3,042,485,943	62,500,000	(313,461,703)	3,416,524,240

UNIT : BAHT

Statement of Changes in Shareholders' Equity (Continued)
Nok Airlines Public Company Limited and Subsidiaries

FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	Separate financial statements				Total shareholders' equity
		Issued and paid-up share capital	Share premium account ordinary shares	Appropriated legal reserve	Retained earnings (loss) Unappropriated (Deficit)	
Balances as of January 1, 2016		625,000,000	3,042,485,943	62,500,000	(313,461,703)	3,416,524,240
Changes in shareholders' equity for the year ended December 31, 2016		-	-	-	(2,641,351,163)	(2,641,351,163)
Total comprehensive loss for the year		625,000,000	3,042,485,943	62,500,000	(2,954,812,866)	775,173,077
Balances as of December 31, 2016						

Notes to the financial statements form an integral part of these financial statements

Statement of Cash Flows

Nok Airlines Public Company Limited and Subsidiaries



FOR THE YEAR ENDED DECEMBER 31, 2016

UNIT : BAHT

	Notes	Consolidated		Separate	
		financial statements		financial statements	
		2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before income tax		(3,269,903,343)	(1,658,299,519)	(2,626,747,118)	(417,749,077)
Adjustments for:					
Depreciation		77,619,150	61,341,152	73,626,798	56,986,429
Amortisation		23,916,912	20,680,982	22,553,100	19,678,499
Loss on disposals and write-off of equipment		242,954	1,131,534	242,954	1,131,534
Unrealized gain (loss) on exchange rate		(9,080,025)	(144,513,368)	18,474,872	(152,934,739)
Doubtful accounts (reversal)		1,766,468	302,245	1,766,468	(281,183)
Loss on sale investment in joint venture		1,921,600	-	2,865,127	-
Provision for aircraft maintenance recognized as expenses		444,336,386	376,618,377	420,613,263	360,741,579
Deferred income from customer loyalty programmes recognized during the year (reversal)		(36,661,145)	3,316,310	(36,661,145)	3,316,310
Employee benefit expenses		50,873,518	61,395,794	43,468,149	54,546,393
Interest income		(36,606,433)	(44,454,509)	(41,601,926)	(52,110,945)
Interest expense		14,367,105	1,074,423	6,009,686	1,074,423
Share of loss on investments in joint venture		14,147,369	-	-	-
Operating loss before changes in operating assets and liabilities		(2,723,059,484)	(1,321,406,579)	(2,115,389,772)	(125,600,777)
Operating assets (increase) decrease					
Trade and other receivables		(94,855,722)	(660,333,453)	3,754,230	(262,000,713)
Inventories		(10,843,790)	(3,096,720)	(10,843,790)	(3,096,720)
Refundable value-added tax		130,135,741	(28,618,012)	80,325,652	24,871,512
Short-term aircraft deposits and prepayments		(17,759,897)	1,124,490,868	(17,759,897)	1,197,417,604
Other current assets		(14,931,498)	(14,609,312)	1,446,756	(13,605,267)
Deposits at bank pledged as collateral		(189,876,909)	(61,543,000)	(190,220,835)	-

Statement of Cash Flows (Continued)

Nok Airlines Public Company Limited and Subsidiaries



FOR THE YEAR ENDED DECEMBER 31, 2016

UNIT : BAHT

	Notes	Consolidated		Separate	
		financial statements		financial statements	
		2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES					
(CONTINUED)					
Operating assets (increase) decrease (continued)					
Long-term aircraft deposits and prepayments		54,504,506	674,412,800	45,718,869	605,646,778
Other non-current assets		(18,809,010)	(8,138,891)	(15,341,674)	(21,105,189)
Operating liabilities increase (decrease)					
Trade and other payables		1,520,097,650	1,094,460,606	599,162,327	308,794,770
Aircraft maintenance paid		(106,923,668)	(136,395,800)	(106,923,668)	(136,395,800)
Withholding tax payable		1,684,211	2,598,485	4,931,027	(635,830)
Other current liabilities		29,883,870	11,027,800	3,378,415	2,035,361
Employee benefit paid		(16,361,004)	(12,984,703)	(16,361,004)	(12,984,703)
Other non-current liabilities		78,810,824	1,013,831	78,810,824	1,013,831
Cash received (paid) from operations		(1,378,304,180)	660,877,920	(1,655,312,540)	1,564,354,857
Income tax paid		(4,991,284)	(11,569,092)	(5,239,172)	(5,226,813)
Net cash provided by (used in) operating activities		(1,383,295,464)	649,308,828	(1,660,551,712)	1,559,128,044
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash received from temporary investments		316,044,000	-	300,000,000	-
Cash paid for temporary investments		-	(16,044,000)	-	-
Cash received from sale investment in joint venture		3,463,319	-	3,463,319	-
Cash paid for investment in joint venture		-	(34,749,000)	-	(34,749,000)
Cash received (paid) for other long-term investment		562,000	(778,000)	763,200	(778,000)
Cash paid for long-term loans to a related party		-	-	-	(245,000,000)
Cash paid for acquisition of equipment and intangible assets	4.2	(181,441,318)	(123,554,750)	(177,218,678)	(115,500,907)
Proceeds from sales of equipment		180,000	38,500	180,000	38,500
Cash received from interest income		39,502,395	43,431,525	32,274,370	35,567,256
Net cash provided by (used in) investing activities		178,310,396	(131,655,725)	159,462,211	(360,422,151)

Statement of Cash Flows (Continued)

Nok Airlines Public Company Limited and Subsidiaries



FOR THE YEAR ENDED DECEMBER 31, 2016

UNIT : BAHT

	Notes	Consolidated		Separate	
		financial statements		financial statements	
		2016	2015	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash paid for interest expense		(15,441,528)	-	(7,084,110)	-
Cash received from short-term loans					
from financial institutions		700,000,000	520,000,000	-	520,000,000
Cash paid for short-term loans					
from financial institutions		(520,000,000)	-	(520,000,000)	-
Cash received from share subscriptions					
of the subsidiaries from non-controlling interests		-	255,000,000	-	-
Net cash provided by (used in) financing activities		164,558,472	775,000,000	(527,084,110)	520,000,000
EFFECT FROM FOREIGN EXCHANGE RATE					
IN CASH AND CASH EQUIVALENTS		57,891,470	(5,504,542)	22,962,731	9,117,776
Net increase (decrease) in cash and cash equivalents		(982,535,126)	1,287,148,561	(2,005,210,880)	1,727,823,669
Cash and cash equivalents as at January 1,		4,213,756,405	2,926,607,844	3,480,327,664	1,752,503,995
Cash and cash equivalents as at December 31,	4.1	3,231,221,279	4,213,756,405	1,475,116,784	3,480,327,664

Notes to the financial statements form an integral part of these financial statements

Note to the Financial Statements

Nok Airlines Public Company Limited and Subsidiaries



FOR THE YEAR ENDED DECEMBER 31, 2016

1. GENERAL INFORMATION AND OPERATIONS OF THE COMPANY AND SUBSIDIARIES

1.1 General information and operations of the Company

Nok Airlines Public Company Limited (the “Company”) was incorporated as a limited company under Thai laws on February 27, 2004. The registered office is located at 3 Rajanakarn Building, 17th Fl., South Sathorn Road, Yannawa, Sathorn, Bangkok, and its principal activity is to provide air transport services for passengers.

On January 18, 2013, the Company registered to convert the Company from a limited company to a public limited company and registered the change of the Company’s name from Nok Airlines Company Limited to Nok Airlines Public Company Limited with the Ministry of Commerce. On June 20, 2013, the Company had been approved by the Stock Exchange of Thailand to be a listed company in the Stock Exchange of Thailand.

As at December 31, 2016 and 2015, the Company’s major shareholder was Thai Airways International Public Company Limited, which is a company incorporated in Thailand, holding 39.20% of the Company’s issued and paid-up share capital and has no power of control in the Company.

For the year ended December 31, 2016, the consolidated and separate financial statements shown net loss of Baht 3,269.98 million and 2,626.83 million, respectively. As at December 31, 2016, total current liabilities exceeded total current assets of Baht 564.28 million and Baht 339.71 million, respectively and the consolidated financial statements shown capital deficiency of Baht 339.73 million. In addition, as at December 31, 2016, the Company could not maintain the significant financial ratios under the credit facility of bank guarantee agreement with a financial institution. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern. However, the Company’s and the subsidiary’s management believes that it is appropriate to prepare the financial statements by adopting the going concern basis because of the following reasons:



1. Nokscot Airlines Co., Ltd., the subsidiary, received a letter dated February 15, 2017 from Scoot Pte. Ltd., major shareholder to confirm continuing to provide financial support to the Company to enable to continue its operation satisfactorily for the period at least of twelve months after the date of the letter.
2. On February 28, 2017, the Company's Board of Director's Meeting has the resolution to increase the authorized share capital and the issue and paid-up share capital from Baht 625.00 million to Baht 1,406.25 million by issuing 781,250,000 new ordinary shares at par value of Baht 1 each to propose Shareholders' meeting to approve again. (see Note 31.4)
3. The Company received a letter from the financial institution to extend the maintaining of financial ratios to December 31, 2017.

Potential impact from the Civil Aviation Authority of Thailand (CAAT) (Formerly Thai Department of Civil Aviation (DCA)) not passing the International Civil Aviation Organization (ICAO)'s safety standards.

The Company and subsidiaries have prepared for inspection by the Civil Aviation Authority of Thailand (CAAT) (Formerly Thai Department of Civil Aviation (DCA)) by reviewing and updating the manual of operations. Moreover, the Company and subsidiaries have provided trainings and prepared to the relevant person to work in accordance with the manual of operation strictly. This plan have included preparation for being inspected by the aviation authorities of other countries.

In addition, the Company and subsidiaries have reconsidered the plans to expand international market to align with situations in the future. Currently, the effects mentioned above have no significant impact on the operations of the Company and subsidiaries.

1.2 General information and operations of subsidiaries

On April 4, 2014, Nok Holidays Co., Ltd. was incorporated to engage the tourism business and other relevant businesses with authorized share capital of Baht 100,000. The Company holds 49% of authorized share capital of such company and the Company's managements hold 51% of authorized share capital. The Company considers that Nok Holidays Co., Ltd. is a subsidiary because the Company has control over the financial and operating policy decisions of such company. The Company records investment in Nok Holidays Co., Ltd. as investment in subsidiaries of Baht 49,000 (see Note 9).

On April 9, 2014, the 2014 Annual General Meeting of Shareholders of the Company had the resolution to approve for establishing a new company to invest in joint venture with Scoot Pte. Ltd., which is a company registered in Singapore, and Pueannammitr Co., Ltd., which is a company registered in Thailand, to operate international low-cost airline business with total investment not exceeding Baht 2,000 million. The portions of investment of the Company, Scoot Pte. Ltd. and Pueannammitr Co., Ltd. are 49%, 49% and 2%, respectively, and approve the Company for providing a loan to such company in the amount not exceeding Baht 970 million.

On June 13, 2014, Nok Mangkang Co., Ltd. was incorporated to invest in joint venture according to the resolution of the 2014 Annual General Meeting of Shareholders of the Company as mentioned above with authorized share capital consisting of 49,000 ordinary shares and 51,000 preference shares at par value of Baht 100 each, totaling authorized share capital of Baht 10 million. The Company holds 49,000 ordinary shares, the Company's director holds 50,000 preference shares and another person holds 1,000 preference shares, or equivalent to 49%, 50% and 1% of total authorized share capital of such company, respectively. The Company considers that Nok Mangkang Co., Ltd. is a subsidiary because the Company has control over the financial and operating policy decisions of such company. The Company records investment in Nok Mangkang Co., Ltd. as investment in subsidiaries of Baht 4.90 million (see Note 9).

On June 19, 2014, the Company's Board of Directors' Meeting had the resolution to acknowledge the incorporation of Nok Mangkang Co., Ltd. as a subsidiary and approve Nok Mangkang Co., Ltd. for investing in NokScoot Airlines Co., Ltd., a company registered in Thailand, with authorized share capital of Baht 25 million, consisting of 250,000 ordinary shares at par value of Baht 100 each in order to operate as joint venture company and had the resolution to approve for affixing the signature in a loan agreement to Nok Mangkang Co., Ltd. under the credit facility of Baht 970 million according to the resolution of the 2014 Annual General Meeting of Shareholders of the Company.

In addition, on June 19, 2014, the Company entered into the following agreements:

1. Joint Venture Agreement among the Company, Nok Mangkang Co., Ltd., Scoot Pte. Ltd., Pueannammitr Co., Ltd. and NokScoot Airlines Co., Ltd. which stipulated that investment in NokScoot Airlines Co., Ltd. is Baht 2,000 million, and all parties will invest at times as stipulated in Share Subscription Agreement.
2. Share Subscription Agreement among the Company, Nok Mangkang Co., Ltd., Scoot Pte. Ltd., Pueannammitr Co., Ltd., NokScoot Airlines Co., Ltd. and existing shareholders of NokScoot Airlines Co., Ltd. which stipulated the increase in share capital of NokScoot Airlines Co., Ltd. at times from Baht 25 million until reaching to Baht 2,000 million according to time, amount and conditions specified in such agreement. Upon reaching the investment of Baht 2,000 million, shareholding portions in NokScoot Airlines Co., Ltd. of Nok Mangkang Co., Ltd., Scoot Pte. Ltd. and Pueannammitr Co., Ltd. will be 49%, 49% and 2%, respectively.

All parties have to comply with the conditions stipulated in the agreements. In case any party cannot comply with such conditions, other parties who comply with the conditions stipulated in the agreements can terminate the agreements by giving notice to other parties.

On June 20, 2014, Nok Mangkang Co., Ltd., a subsidiary, purchased one ordinary share of NokScoot Airlines Co., Ltd. at Baht 100 and recorded as long-term investment.

Subsequently, on July 9, 2014, NokScoot Airlines Co., Ltd. had registered the capital increase from Baht 25 million to Baht 200 million by issuing additional ordinary shares of 1,750,000 shares at par value of Baht 100 each. Nok Mangkang Co., Ltd., a subsidiary, purchased such additional ordinary shares of 874,998 shares in the amount of Baht 87.50 million. As a result, Nok Mangkang Co., Ltd. has shareholding portion at 43.75% of NokScoot Airlines Co., Ltd. Nok Mangkang Co., Ltd. considers that NokScoot Airlines Co., Ltd. is a subsidiary because Nok Mangkang Co., Ltd. has control over the financial and operating policy decisions of NokScoot Airlines Co., Ltd.

Consideration transferred and the assets acquired and liabilities assumed at the acquisition date in the preparation of the consolidation financial statements of the Company and its subsidiaries for the year 2014 are summarized as follows:

	UNIT : BAHT
Acquired assets and assumed liabilities	
Cash and cash equivalents	196,495,118
Aircraft deposits	607,985
Other current assets	47,728
Equipment - net	4,477
Other non-current assets	2,000
Accrued expenses	(3,806,831)
Total	193,350,477
<u>Less</u> Total consideration transferred to in cash	87,499,900
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	108,759,740
Surplus from investment exceeding interests in a subsidiary	2,909,163

Managements consider that this surplus from investment exceeding interests in a subsidiary in the consolidated financial statements will not be utilized in the future; therefore, it was recorded as expense in the statement of profit or loss and other comprehensive income for the year ended December 31, 2014, in the whole amount.

On October 20, 2014, NokScoot Airlines Co., Ltd. registered the capital increase from Baht 200 million to Baht 500 million by issuing additional ordinary shares of 3,000,000 shares at par value of Baht 100 each. Nok Mangkang Co., Ltd., the Company's subsidiary, purchased such additional ordinary shares of 1,500,000 shares in the amount of Baht 150 million. As a result, Nok Mangkang Co., Ltd. has shareholding portion at 47.5% of NokScoot Airlines Co., Ltd. As a result of the increase in the portion of the investment, the Company has deficit from the change in ownership interest in a subsidiary of Baht 2.79 million which was presented as part of shareholders' equity.

On December 22, 2014, NokScoot Airlines Co., Ltd. registered the capital increase from Baht 500 million to Baht 1,500 million by issuing additional ordinary shares of 10,000,000 shares at par value of Baht 100 each. Nok Mangkang Co., Ltd., the Company's subsidiary, purchased such additional ordinary shares of 4,975,001 shares in the amount of Baht 497.50 million. As a result, Nok Mangkang Co., Ltd. has shareholding portion at 49.0% of NokScoot Airlines Co., Ltd. As a result of the

increase in the portion of the investment, the Company has additional deficit from the change in ownership interest in a subsidiary of Baht 3.15 million which was presented as part of shareholders' equity. As at December 31, 2014, the Company has total deficit from change in shareholding portion in a subsidiary of Baht 5.94 million.

On March 27, 2015, the Shareholders Meeting of NokScoot Airlines Co., Ltd. has a resolution to increase share capital of Baht 500 million from Baht 1,500 million to Baht 2,000 million, by issuing additional ordinary shares of 5,000,000 shares at a par value of Baht 100 each. Nok Mangkang Co., Ltd., the Company's subsidiary, purchased such additional ordinary shares of 2,450,000 shares and paid for additional ordinary shares of Baht 245 million. As a result, Nok Mangkang Co., Ltd. has shareholding portion at 49.0% of NokScoot Airlines Co., Ltd. NokScoot Airlines Co., Ltd. has registered for increase in share capital with the Ministry of Commerce on April 16, 2015.

2. BASIS FOR PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

- 2.1 The Company and subsidiaries maintain their accounting records in Thai Baht and prepares their statutory financial statements in the Thai language in conformity with Thai Financial Reporting Standards and accounting practices generally accepted in Thailand.
- 2.2 The Company and subsidiaries' financial statements have been prepared in accordance with the Thai Accounting Standard (TAS) No. 1 (Revised 2015) "Presentation of Financial Statements", which was effective for financial periods beginning on or after January 1, 2016 onwards, and the Regulation of The Stock Exchange of Thailand (SET) dated January 22, 2001, regarding the preparation and submission of financial statements and reports for the financial position and results of operations of the listed companies B.E. 2544 and the Notification of the Department of Business Development dated September 28, 2011 regarding "The Brief Particulars in the Financial Statement B.E. 2554".

- 2.3 The consolidated financial statements included the accounting records of the Company and its subsidiaries, after elimination of intercompany transactions.

As at December 31, 2016 and 2015, the Company has shareholding portion in the subsidiaries as follows:

Subsidiaries	Type of business	Country of registration	Registration date	Shareholdings (%)	
				As at December 31, 2016	As at December 31, 2015
Direct subsidiaries					
Nok Holidays Co., Ltd.	Tourism and other relevant business	Thailand	April 4, 2014	49	49
Nok Mangkang Co., Ltd.	Air transport service for passengers, parcel and parcel post	Thailand	June 13, 2014	49	49
Indirect subsidiary					
NokScoot Airlines Co., Ltd.*	Air transport service for passengers, parcel and parcel post	Thailand	October 30, 2013	24.01	24.01

* A subsidiary of Nok Mangkang Co., Ltd.

- 2.4 The financial statements have been prepared under the historical cost convention except as disclosed in the significant accounting policies.
- 2.5 Below is a summary of new Thai Financial Reporting Standards that became effective in the current accounting year and those that will become effective in the future.

2.5.1 Adoption of new and revised Thai Financial Reporting Standards

The Federation of Accounting Professions has issued the Notifications regarding Thai Financial Reporting Standards (TFRSs) which are effective for the financial statements for the periods beginning on or after January 1, 2016 onwards, as follows:

Thai Accounting Standards (TAS)

TAS 1 (Revised 2015)	Presentation of Financial Statements
TAS 2 (Revised 2015)	Inventories
TAS 7 (Revised 2015)	Statement of Cash Flows
TAS 8 (Revised 2015)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2015)	Events after the Reporting Period
TAS 11 (Revised 2015)	Construction Contracts
TAS 12 (Revised 2015)	Income Taxes
TAS 16 (Revised 2015)	Property, Plant and Equipment
TAS 17 (Revised 2015)	Leases
TAS 18 (Revised 2015)	Revenue
TAS 19 (Revised 2015)	Employee Benefits

Thai Accounting Standards (TAS) (Continue)

TAS 20 (Revised 2015)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2015)	The Effects of Changes in Foreign Exchange Rate
TAS 23 (Revised 2015)	Borrowing Costs
TAS 24 (Revised 2015)	Related Party Disclosures
TAS 26 (Revised 2015)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (Revised 2015)	Separate Financial Statements
TAS 28 (Revised 2015)	Investments in Associates and Joint Ventures
TAS 29 (Revised 2015)	Financial Reporting in Hyperinflationary Economies
TAS 33 (Revised 2015)	Earnings per Share
TAS 34 (Revised 2015)	Interim Financial Reporting
TAS 36 (Revised 2015)	Impairment of Assets
TAS 37 (Revised 2015)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2015)	Intangible Assets
TAS 40 (Revised 2015)	Investment Property
TAS 41	Agriculture

Thai Financial Reporting Standards (TFRS)

TFRS 2 (Revised 2015)	Share-based Payment
TFRS 3 (Revised 2015)	Business Combinations
TFRS 4 (Revised 2015)	Insurance Contracts
TFRS 5 (Revised 2015)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (Revised 2015)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (Revised 2015)	Operating Segments
TFRS 10 (Revised 2015)	Consolidated Financial Statements
TFRS 11 (Revised 2015)	Joint Arrangements
TFRS 12 (Revised 2015)	Disclosure of Interests in Other Entities
TFRS 13 (Revised 2015)	Fair Value Measurement

Thai Accounting Standards Interpretations (“TSIC”)

TSIC 10 (Revised 2015)	Government Assistance - No Specific Relation to Operating Activities
TSIC 15 (Revised 2015)	Operating Leases - Incentives
TSIC 25 (Revised 2015)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (Revised 2015)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (Revised 2015)	Service Concession Arrangements : Disclosures
TSIC 31 (Revised 2015)	Revenue - Barter Transactions Involving Advertising Services
TSIC 32 (Revised 2015)	Intangible Assets - Web Site Costs

Thai Financial Reporting Standard Interpretations (“TFRIC”)

TFRIC 1 (Revised 2015)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (Revised 2015)	Determining whether an Arrangement contains a Lease
TFRIC 5 (Revised 2015)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (Revised 2015)	Applying the Restatement Approach under TAS 29 (Revised 2015) Financial Reporting in Hyperinflationary Economies
TFRIC 10 (Revised 2015)	Interim Financial Reporting and Impairment
TFRIC 12 (Revised 2015)	Service Concession Arrangements
TFRIC 13 (Revised 2015)	Customer Loyalty Programmes

Thai Financial Reporting Standard Interpretations (“TFRIC”) (Continue)

TFRIC 14 (Revised 2015)	TAS 19 (Revised 2015) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 15 (Revised 2015)	Agreements for the Construction of Real Estate
TFRIC 17 (Revised 2015)	Distributions of Non-cash Assets to Owners
TFRIC 18 (Revised 2015)	Transfers of Assets from Customers
TFRIC 20 (Revised 2015)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21	Levies

Guideline on Accounting

Guideline on Accounting for Insurance Business regarding Designation of Financial Instruments at Fair Value through Profit or Loss

Above TFRSs have no material impact on these consolidated and separate financial statements.

2.5.2 Thai Financial Reporting Standards announced in the Royal Gazette but not yet effective

The Federation of Accounting Professions issued the Notifications regarding the Thai Financial Reporting Standards (“TFRSs”), which are announced in the Royal Gazette and effective for the financial statements for the accounting periods beginning on or after January 1, 2017 onwards as follows:

Thai Accounting Standards (TAS)

TAS 1 (Revised 2016)	Presentation of Financial Statements
TAS 2 (Revised 2016)	Inventories
TAS 7 (Revised 2016)	Statement of Cash Flows
TAS 8 (Revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2016)	Events after the Reporting Period
TAS 11 (Revised 2016)	Construction Contracts
TAS 12 (Revised 2016)	Income taxes
TAS 16 (Revised 2016)	Property, Plant and Equipment
TAS 17 (Revised 2016)	Leases
TAS 18 (Revised 2016)	Revenue
TAS 19 (Revised 2016)	Employee Benefits
TAS 20 (Revised 2016)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2016)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (Revised 2016)	Borrowing Costs
TAS 24 (Revised 2016)	Related Party Disclosures
TAS 26 (Revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (Revised 2016)	Separate Financial Statements
TAS 28 (Revised 2016)	Investment in Associates and Joint Ventures
TAS 29 (Revised 2016)	Financial Reporting in Hyperinflationary Economies
TAS 33 (Revised 2016)	Earnings Per Share
TAS 34 (Revised 2016)	Interim Financial Reporting
TAS 36 (Revised 2016)	Impairment of Assets
TAS 37 (Revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2016)	Intangible Assets
TAS 40 (Revised 2016)	Investment Property
TAS 41 (Revised 2016)	Agriculture
TAS 104 (Revised 2016)	Accounting for Troubled Debt Restructuring
TAS 105 (Revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (Revised 2016)	Financial Instruments Disclosure and Presentation

Thai Financial Reporting Standards (TFRS)

TFRS 2 (Revised 2016)	Share-based Payment
TFRS 3 (Revised 2016)	Business Combinations
TFRS 4 (Revised 2016)	Insurance Contracts
TFRS 5 (Revised 2016)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (Revised 2016)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (Revised 2016)	Operating Segments
TFRS 10 (Revised 2016)	Consolidated Financial Statements
TFRS 11 (Revised 2016)	Joint Arrangements
TFRS 12 (Revised 2016)	Disclosure of Interests in Other Entities
TFRS 13 (Revised 2016)	Fair Value Measurement

Thai Accounting Standard Interpretations (TSIC)

TSIC 10 (Revised 2016)	Government Assistance-No Specific Relation to Operating Activities
TSIC 15 (Revised 2016)	Operating Leases-Incentives
TSIC 25 (Revised 2016)	Income Taxes - Changes in the Tax Status of and Enterprise or its Shareholders
TSIC 27 (Revised 2016)	Evaluating the Substance of Transactions in the Legal Form of a Lease
TSIC 29 (Revised 2016)	Service Concession Arrangements: Disclosures
TSIC 31 (Revised 2016)	Revenue-Barter Transactions Involving Advertising Services
TSIC 32 (Revised 2016)	Intangible Assets-Web Site Costs

Thai Financial Reporting Standard Interpretations (TFRIC)

TFRIC 1 (Revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (Revised 2016)	Determining whether an Arrangement contains a Lease
TFRIC 5 (Revised 2016)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (Revised 2016)	Applying the Restatement Approach under TAS 29 (Revised 2016) Financial Reporting in Hyperinflationary Economies
TFRIC 10 (Revised 2016)	Interim Financial Reporting and Impairment
TFRIC 12 (Revised 2016)	Service Concession Arrangements
TFRIC 13 (Revised 2016)	Customer Loyalty Programmes
TFRIC 14 (Revised 2016)	TAS 19 (Revised 2016) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 15 (Revised 2016)	Agreements for the Construction of Real Estate
TFRIC 17 (Revised 2016)	Distributions of Non-cash Assets to Owners
TFRIC 18 (Revised 2016)	Transfers of Assets from Customers
TFRIC 20 (Revised 2016)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (Revised 2016)	Levies

Guideline of Accounting

Guideline of accounting for derecognition of financial assets and financial liabilities

The management of the Company and its subsidiaries will adopt the above TFRSs relevant to the Company and its subsidiaries in the preparation of the Company's and its subsidiaries' financial statements when they become effective.

The management of the Company and its subsidiaries is in the process to assess the impact of these TFRSs on the financial statements of the Company and its subsidiaries in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and all types of deposit at financial institution and certificate of deposits with maturity date within 3 months, excluding deposits at financial institution used as collateral.

3.2 Temporary investments

Temporary investments consist of certificate of deposit and fixed deposit with maturity over three months but not over 1 year which are stated at cost.

3.3 Trade receivables and allowance for doubtful accounts

Trade receivables are stated at the net realizable value. Allowance for doubtful debts is provided for the estimated collection losses that may incur in collection of receivables. The allowance for doubtful accounts is based on collection experience and current status of receivables outstanding at the statement of financial position date.

3.4 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by weighted average method. Net realizable value is the estimate of the selling price in the ordinary course of business less the estimated costs necessary to make sale.

3.5 Investments in subsidiaries

Investments in subsidiaries in the separate financial statements are stated at cost less allowance for impairment (if any).

Business combinations

The Company applies the acquisition method for all business combinations other than those with entities under common control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company and subsidiaries takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill is measured as the fair value of the consideration transferred to including the recognized amount of any non-controlling interest in the acquiree, less the net fair value of recognized amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Company and subsidiaries to the previous owners of the acquiree, and equity interests issued by the Company and subsidiaries. Consideration transferred also includes the fair value of any contingent consideration.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Company measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Company and subsidiaries incurs in connection with a business combination, such as legal fees, and other professional and consulting fees are expensed as incurred.

Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions.

3.6 Investments in joint venture

Investments in joint ventures are stated by the equity method in the consolidated financial statements and are stated at cost less allowance for impairment (if any) in the separate financial statements.

3.7 Other long-term investment

Other long-term investment is a non-marketable equity security, which is recorded at cost less allowance for impairment (if any).

3.8 Leasehold improvements and equipment

Leasehold improvements and equipment are stated at cost net off accumulated depreciation and allowance for impairment (if any).

Depreciation is calculated on the straight-line method based on the estimated useful lives of the assets as follows:

Leasehold improvements	5 years or Duration of lease period
Aircraft improvements	5 years or Duration of lease period
Equipment, office equipment, communication equipment and tools	5 years
Computer equipment	3 and 5 years
Vehicles	5 years

3.9 Intangible asset

Intangible asset is computer software program which is stated at cost net of accumulated amortization. Amortization is calculated by the straight-line method based on the estimated useful lives of 3-5 years or contract period.

3.10 Customer loyalty programmes

The Company operates a loyalty programmes which allows customers to accumulate points when they flown through the Company. The points can then be redeemed for air ticket.

Passenger revenue and service revenue are allocated to the accumulated points which are calculated based on proportion of exercised points to total points and presented as deferred income from customer royalty programmes. The Company recognizes revenue when the customer redeem the points and receive flight service.

3.11 Provisions for aircraft maintenance

3.11.1 Provisions for aircraft maintenance as plan

Provisions for aircraft maintenance as plan is recorded over the entire period of aircraft lease agreement according to the maintenance plan, which is calculated from estimated hourly maintenance cost based on charges of each period. The estimation is recorded by actual flight hours.

3.11.2 Provisions for aircraft return condition

The Company records provision for aircraft return condition when return the aircraft to lessor at the expiration date of operating lease agreement over the entire period of aircraft lease agreement. The provision is calculated in accordance with the condition specify in the lease agreement based on actual cost occurred in the past and the Company's experience.

3.12 Employee benefits

3.12.1 Provident fund

Under Provident Fund Act. (B.E.2530), the Company has established the provident fund for its employee. Each employee contributes 2-15% of the gross salary and the Company contributes the same amount not exceeding 5%. The Company records contributory provident fund as expenses when incurred.

3.12.2 Retirement benefits

The Company and its subsidiaries operate post-employment benefits plans under the Thai Labor Protection Act. Such retirement benefits are calculated by an independent actuary at the end of reporting period using the Projected Unit Credit Method, which is estimated based on the present value of expected cash flows of benefits to be paid in the future taken into account the actuarial assumptions including employee salaries, turnover rate, mortality rate, years of service and other factors. Discount rate used in the calculation of provision is referenced to the yield curve of Thai government bond.

The Company recognized the actuarial gains or losses arising from defined benefit plan in other comprehensive income in the period incurred.

3.12.3 Pilot saving fund

The Company has provided other benefits to pilots on the retirement date or upon resignation or loosen license cause. This accumulated saving fund is calculated on the basis of actual number of flights per month and years of service of its employees as per the Company's policy.

3.13 Revenue and expense recognition

The Company and its subsidiaries recognize the revenue from airfare after the services have been rendered to the passengers as per flight schedule indicated in the air ticket. Proceeds from sales of the air tickets that have not been recognized as revenue are presented as unearned income in current liabilities of the statement of financial position.

Revenues from services are recognized when the services are rendered.

Interest income, other income and expenses are recognized on an accrual basis.

3.14 Income tax

Income tax expense (income)

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current tax liability is calculated using tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit (tax base). Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for temporary differences to the extent that it is probable that taxable profits will be available against which those temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each statement of financial position date. Deferred tax asset shall be reduced to the extent that utilized taxable profits decreased. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available to allow total or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted at the statement of financial position date.

3.15 Foreign currency transactions

Transactions in foreign currencies incurred during monetary the year are converted to Baht at the exchange rate of the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting are converted into Baht at the reference exchange rates established by the Bank of Thailand at that date.

Gain or loss from settlements and conversion are recognized in the statement of profit or loss and other comprehensive income.

3.16 Leases

Operating lease

Leases in which substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating lease. Rentals applicable to such operating leases are charged as an expense to the statement of profit or loss and other comprehensive income on the straight-line basis over lease term.

Sale and leaseback transaction results in an operating lease

If it is clear that the transaction is established at fair value, any profit or loss shall be recognized immediately in statement of profit or loss and other comprehensive income.

If the sale price is below fair value, any profit or loss shall be recognized immediately in statement of profit or loss and other comprehensive income. Except for the loss is compensated for by future lease payments at below market price, it shall be deferred and amortized in proportion to the lease payments over the period for which the lease asset is expected to be used.

If the sale price is above fair value, the excess over fair value shall be deferred and amortized over the period for which the lease asset is expected to be used.

3.17 Basic loss per share

Basic loss per share is determined by dividing the loss for the year by the weighted average number of ordinary shares during the year.

3.18 Financial instruments

Financial instruments carried in the statements of financial position include deposits at financial institutions, temporary investments, trade receivables, aircraft deposits and prepayment and payables, deposits at bank pledged as collateral, short-term loans from financial institutions and trade payables. The particular recognition methods adopted are disclosed in the individual policy associated with each item.

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company and its subsidiaries take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated and separate financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of TFRS 2 (Revised 2015), leasing transactions that are within the scope of TAS 17 (Revised 2015), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in TAS 2 (Revised 2015) or value in use in TAS 36 (Revised 2015).

In addition, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

3.19 Use of management's judgements and key sources of estimation uncertainty

3.19.1 Management's judgments in applying accounting policies

The preparation of financial statements in conformity with Thai Financial Reporting Standards requires the Group's management to exercise various judgements in applying accounting policies that can significantly affect the recognition and disclosures in the financial statements. Significant judgements in applying accounting policies are as follows:

Provisions for aircraft maintenance

The management of the Group need to exercise judgments in order to estimate the reasonableness of assumptions used to estimate aircraft maintenance in each period of maintenance schedule and expense for retaining the aircraft when returning aircraft according to lease agreement based on reviewing maintenance condition with lease agreement and maintenance schedule obtained from maintenance company, actual information in the past and management's experience. Additional information is disclosed in Note 3.11.

Sale and leaseback transaction results in an operating lease

To determine sale and leaseback transaction resulting in an operating lease, the Company's management have to exercise significant judgments to determine the appropriateness of lease agreement according to operating lease, aircraft fair value and returned rental fee. If it is clear that the selling transaction is established at fair value, any profit or loss shall be recognized immediately in statement of profit or loss and other comprehensive income. Additional information is disclosed in Note 3.16.

Employee benefit obligations

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions, including the discount rate. Any changes in these assumptions will have an impact on the carrying amount of such obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the employee benefit obligations. In determining the appropriate discount rate, the Group's considers the market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related obligations. Additional information is disclosed in Note 3.12.2.

3.19.2 Key sources of estimation uncertainty

The Group has estimates with the assumptions concerning the future. Although these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Fair value measurements and valuation processes

Details of the fair value measurements and valuation processes are set out in Note 3.18 and Note 29.5.

4. SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

4.1 Cash and cash equivalents consist of:

	Consolidated		Separate	
	financial statements		financial statements	
	As at December 31, 2016	As at December 31, 2015	As at December 31, 2016	As at December 31, 2015
Cash on hand	23,730,726	24,946,981	19,255,069	23,219,600
Deposits at banks - current accounts	774,971,337	799,796,272	240,722,676	287,556,575
Deposits at banks - saving accounts	1,342,519,216	1,238,736,169	475,139,039	1,119,274,506
Certificates of deposit (interest at the rates of 1.35 % - 3.00% p.a. with maturities within 3 months)	1,090,000,000	2,150,276,983	740,000,000	2,050,276,983
Total	3,231,221,279	4,213,756,405	1,475,116,784	3,480,327,664

4.2 Non-cash items from purchases and increase in equipment and intangible assets for the years ended December 31, consist of:

	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Payables for purchases of equipment and intangible assets brought forward	16,681,147	23,024,260	15,802,531	23,019,780
<u>Add</u> Purchases during the years	171,661,147	117,211,637	168,219,422	108,283,658
<u>Less</u> Cash payments during the years	(181,441,318)	(123,554,750)	(177,218,678)	(115,500,907)
Payables for purchases of equipment and intangible assets carried forward	6,900,976	16,681,147	6,803,275	15,802,531

5. TEMPORARY INVESTMENTS

Temporary investments consist of:

	Consolidated		Separate	
	financial statements		financial statements	
	As at	As at	As at	As at
	December 31,	December 31,	December 31,	December 31,
	2016	2015	2016	2015
Certificates of deposits (interest at the rate of 1.82% - 2.30% p.a. with maturities of 4-6 months)	-	300,000,000	-	300,000,000
Fixed Account (interest at the rate of 1.10% p.a. with maturities of 12 months)	-	16,044,000	-	-
Total	-	316,044,000	-	300,000,000

6. TRADE AND OTHER RECEIVABLES

6.1 Trade and other receivables

Trade and other receivables consist of:

	Consolidated		Separate	
	financial statements		financial statements	
	As at	As at	As at	As at
	December 31,	December 31,	December 31,	December 31,
	2016	2015	2016	2015
Trade receivables - related parties (see Note 25.1)	5,803,337	4,621,262	18,945,899	7,461,073
Trade receivables - other parties	376,942,834	179,559,293	79,394,123	76,784,696
Total	382,746,171	184,180,555	98,340,022	84,245,769
<u>Less</u> Allowance for doubtful accounts	(11,704,507)	(9,938,039)	(11,121,079)	(9,354,611)
Total trade receivables	371,041,664	174,242,516	87,218,943	74,891,158
Other receivables				
Advance aircraft rental	248,723,585	185,226,371	245,956,865	165,976,058
Other prepaid expenses	183,573,147	92,747,733	99,392,572	81,455,937
Accrued income - related parties (see Note 25.1)	1,601,776	3,311,937	20,099,614	10,604,261
Accrued income - other parties	15,574,853	11,094,567	12,666,936	8,806,043
Accrued interest income - other parties	4,968,287	7,864,249	1,304,360	6,940,581
Advance payments - related parties (see Note 25.1)	1,068,799	11,844,830	1,661,279	12,966,755
Advance payments - other parties	14,023,527	24,352,463	12,308,068	24,040,063
Advance payments for aircraft maintenance and engine maintenance	210,841,747	504,536,293	174,301,465	315,076,334
Advance fuel for aircraft	62,749,703	66,882,340	1,959,748	-
Others	68,243,739	37,663,275	54,151,770	26,942,475
Total other receivables	811,369,163	945,524,058	623,802,677	652,808,507
Total	1,182,410,827	1,119,766,574	711,021,620	727,699,665

6.2 Trade receivables classified by aging are as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	As at December 31, 2016	As at December 31, 2015	As at December 31, 2016	As at December 31, 2015
Current	84,011,234	71,307,207	71,624,394	56,264,903
Overdue - Less than 1 month	39,907,889	37,355,448	9,130,149	10,377,116
- Over 1 month to 2 months	23,380,607	16,043,781	1,224,336	1,861,819
- Over 2 months to 4 months	147,404,247	19,414,734	1,265,796	3,187,749
- Over 4 months to 1 year	76,261,950	28,322,606	3,974,268	817,403
- Over 1 year	11,780,244	11,736,779	11,121,079	11,736,779
	382,746,171	184,180,555	98,340,022	84,245,769
<u>Less</u> Allowance for doubtful accounts	(11,704,507)	(9,938,039)	(11,121,079)	(9,354,611)
Total	371,041,664	174,242,516	87,218,943	74,891,158

7. INVENTORIES

Inventories consist of:

	Consolidated		Separate	
	financial statements		financial statements	
	As at December 31, 2016	As at December 31, 2015	As at December 31, 2016	As at December 31, 2015
Goods for sales	12,777,174	4,484,781	12,777,174	4,484,781
Food and Beverage	998,497	198,922	998,497	198,922
Spare parts and other supplies	17,625,391	15,873,569	17,625,391	15,873,569
Total	31,401,062	20,557,272	31,401,062	20,557,272

Costs of inventories recognized as expenses in the consolidated and separate statements of profit or loss and other comprehensive income for the years ended December 31, 2016 and 2015 as follows:

	Consolidated and separate	
	financial statements	
	2016	2015
For the year ended December 31,	14.03	27.05

8. AIRCRAFT DEPOSITS AND PREPAYMENTS

Aircraft deposits and prepayments consist of:

	Consolidated		Separate	
	financial statements		financial statements	
	As at	As at	As at	As at
	December 31,	December 31,	December 31,	December 31,
	2016	2015	2016	2015
Short-term				
Deposits - aircraft lease and machine	162,803,817	146,332,699	162,803,817	146,332,699
Total	<u>162,803,817</u>	<u>146,332,699</u>	<u>162,803,817</u>	<u>146,332,699</u>
Long-term				
Deposits - aircraft lease	97,199,472	143,818,931	40,020,586	86,215,920
Prepayments - aircraft acquisition	<u>320,194,272</u>	<u>322,569,321</u>	<u>320,194,272</u>	<u>322,569,321</u>
Total	<u>417,393,744</u>	<u>466,388,252</u>	<u>360,214,858</u>	<u>408,785,241</u>

Deposits for aircraft and machine are security deposit for aircraft operating lease and deposit for engine lease. The Engine lease is a short-term lease of engine for existing engine is off-wing for maintenance. It shall be returned to lessee at the time of lease expiry.

Prepayment for aircraft acquisition is a pre-delivery payment (PDP) for those aircrafts which the Company purchases directly with aircraft manufacturers but not yet delivered. PDP term and amount was set up in Aircraft Purchase Agreement with aircraft manufacturers.

During periods 31 December 2016 and 2015, the Company entered into sale and lease back agreements under operating lease for certain of the purchased aircrafts which the sale and lease back will be effective when the aircrafts are delivered, the lease terms are 12 years. However as at the date of entering into sale and lease back agreements, the buyer has responsibility to pay PDP instead of the Company.

For the years ended 2016 and 2015, certain aircrafts have been received and delivered to the lessor under sale and lease back agreements and the Company recognized gain on sale and leaseback aircraft under operating lease agreement in statement of profit or loss and other comprehensive income statements in the amount of Baht 312.72 million and Baht 182.80 million, respectively. (see Note 22).

9. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries consist of:

Companies	Type of business	Country of registration	Shareholding		Paid-up share capital		Separate financial statements Cost method	
			As at		As at		As at	
			(%)	(%)	(Baht)	(Baht)	(Baht)	(Baht)
			December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Direct subsidiaries								
Nok Holidays Co., Ltd.	Tourism guiding and other relevant business	Thailand	49	49	100,000	100,000	49,000	49,000
Nok Mangkang Co., Ltd.	Air transport service for passengers, parcel and parcel post	Thailand	49	49	10,000,000	10,000,000	4,900,000	4,900,000
Indirect subsidiary								
NokScoot Airlines Co., Ltd.*	Air transport service for passengers, parcel and parcel post	Thailand	24.01	24.01	2,000,000,000	2,000,000,000	-	-
Total							4,949,000	4,949,000

* A subsidiary of Nok Mangkang Co., Ltd.

10. INVESTMENT IN JOINT VENTURE

On October 15, 2015, the Board of Directors' meeting of the Company approved the Company to invest in Air Black Box Asia Pacific Pte Ltd., which is a company incorporated in Singapore and operates in platform for airline reservation systems with the register capital of USD 4 million or equivalent to SGD 5.4 million. The Company has invested in the portion of 25% of its registered capital. Subsequently, on October 25, 2015, the Company entered into joint venture agreement and related transaction documents in the Air Black Box Asia Pacific Pte Ltd. with Scoot Pte Ltd. and TOD Holdings Co., Ltd. which is held by the Company, Scoot Pte Ltd. and TOD Holdings Co., Ltd. in the proportion of 25%, 25% and 50%, respectively.

On December 23, 2015, the Company invested in Air Black Box Asia Pacific Pte Ltd. in the amount of SGD 1.35 million or equivalent to Baht 34.75 million which has shareholding portion at 25% as stipulated in the agreement. As at December 31, 2015, Air Black Box Asia Pacific Pte Ltd. is in the set up process to operate in platform for airline reservation systems.

On November 17, 2016, Air Black Box Asia Pacific Pte Ltd. increased capital from 5.4 million shares to 6.75 million shares by selling the increased ordinary shares to ANA Holdings, Inc. and Cebu Air, Inc. in accordance with the Joint Venture Agreement. In accordance with the Joint Venture Agreement, which addresses that all airline shareholders shall have an equal proportion, 15%, of ordinary shares in Air Black Box Asia Pacific Pte Ltd., meanwhile VaultPAD Ventures Limited shall hold 40% in Air Black Box Asia Pacific Pte Ltd. Therefore, the Company has to reduce its shareholding proportion in Air Black Box Asia Pacific Pte Ltd. from 25% to 15% by equally selling to ANA Holdings, Inc. and Cebu Air, Inc. in total of 337,500 shares. The company had net loss from selling such investment of Baht 1.92 million and Baht 2.87 million in the consolidated financial statements and separate financial statements, respectively.

	Separate financial statements	
	As at December 31, 2016 Baht	As at December 31, 2015 Baht
At 1 January	34,749,000	34,749,000
Disposals		-
	(6,328,446)	
At 31 December	<u>28,420,554</u>	<u>34,749,000</u>

As at December 31, 2016 and 2015, investment in joint venture which is recorded by the equity method in the consolidated financial statements has detail as follows:

	Unit	As at December 31, 2016 “Unaudited”	As at December 31, 2015 “Unaudited”
Nature of business: Operates in platform for airline reservation systems			
Country of incorporation: Singapore			
Shareholding by the Company	Percentage	15.00	25.00
Carrying amount based on equity method	Baht	15,216,711	34,749,000
Carrying amount based on cost method	Baht	28,420,554	34,749,000
Share of loss on investment in joint venture	Baht	14,147,369	-
Paid-up share capital	Singapore dollars	7,638,240	5,400,000
Total assets	Singapore dollars	5,503,703	5,400,000
Total liabilities	Singapore dollars	176,809	-

11. OTHER LONG-TERM INVESTMENTS

Other long-term investments consist of:

Companies	Consolidated financial statements			
	As at December 31, 2016		As at December 31, 2015	
	Shareholding (%)	Cost Method Baht	Shareholding (%)	Cost Method Baht
The Aeronautical Radio of Thailand Limited	1.04	6,877,500	1.13	7,439,500
Pan Am International Flight Training Center (Thailand) Co., Ltd.	15.00	<u>40,650,000</u>	15.00	<u>40,650,000</u>
Total		<u>47,527,500</u>		<u>48,089,500</u>

Companies	Separate financial statements			
	As at December 31,		As at December 31,	
	2016		2015	
	Shareholding	Cost	Shareholding	Cost
	(%)	Method Baht	(%)	Method Baht
The Aeronautical Radio of Thailand Limited	1.01	6,676,300	1.13	7,439,500
Pan Am International Flight Training Center (Thailand) Co., Ltd.	15.00	40,650,000	15.00	40,650,000
Total		<u>47,326,300</u>		<u>48,089,500</u>

11.1 Investment in The Aeronautical Radio of Thailand Limited

In year 2004, the Company applied for a membership of The Aeronautical Radio of Thailand Limited and acquired the Aeronautical Radio of Thailand Limited's shares according to its regulation.

The authorized share capitals of The Aeronautical Radio of Thailand Limited of 6,600,000 ordinary shares, at par value of Baht 100 each, are classified into 2 classes as to the qualification of the shareholders as follows:

1. Ordinary share class A, 6,000,000 shares specifically held by Thai government and persons who get consents from the Government.
2. Ordinary share class B, 600,000 shares specifically held by airlines, which regularly operate their flights to and/or in Thailand according to their announced flight schedules.

As the regulation of The Aeronautical Radio of Thailand Limited does not allow the dividend payment, shareholders will receive discount on air navigation facility charge instead. The proportion of shareholding will be varied, increase or decrease, depending on the allotment by The Aeronautical Radio of Thailand Limited based on the number of flights during the year of the members. The amount paid for the shares is refundable upon the termination of its membership.

During the year ended December 31, 2016, the Company has been reduced shares in the amount of 7,632 shares and the Company received this portion in the amount of Baht 763,200, as a result the percent holding in such company decreased from 1.13% to 1.01%.

11.2 Investment in Pan Am International Flight Training Center (Thailand) Co., Ltd.

September 12, 2014, the Company agreed with a juristic person in foreign country and a juristic person in Thailand in order to establish Pan Am International Flight Training Center (Thailand) Co., Ltd., a crew training center, in the amount of USD 1.25 million which is 15% of the share capital of such joint venture.

12. LONG-TERM LOANS TO A RELATED PARTY

On July 8, 2014, the Company entered into the loan agreement for lending to Nok Mangkang Co., Ltd. (“subsidiary”) in the amount of Baht 970 million, carrying interest rate at the average fixed deposits rate for 1 year of two commercial banks plus 0.50% p.a. payable on annually with no collateral and due for repayment within 10 years.

As at December 31, 2016 and 2015, long-term loans to a related party are Baht 970 million (see Note 25.1).

The Company has issued letters to the subsidiary to confirm that it will not recall the accrued interest income as at December 31, 2016 and 2015, amounting to Baht 33.02 million and Baht 18.06 million, respectively, for at least 12 months from December 31, 2016 and 2015. Therefore, the Company presented the accrued interest income as other non-current assets (see Note 25.1).

13. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment consist of:

As at December 31, 2016

	Consolidated financial statements				UNIT : BAHT
	Balance	Additions	Disposals	Transfer in	Balance
	as at			(out)	as at
	January 1, 2016 Baht	Baht	Baht	Baht	December 31, 2016 Baht
Cost					
Leasehold improvements	84,515,902	1,677,208	(383,635)	11,246,544	97,056,019
Aircraft improvements	19,485,448	43,877,355	-	4,824,352	68,187,155
Office tools	17,799,979	2,610,701	(1,093,202)	164,620	19,482,098
Office equipment	28,146,183	4,758,372	(1,220,565)	902,256	32,586,246
Computer equipment	161,474,458	22,285,027	(29,782,842)	217,484	154,194,127
Communication equipment	6,987,377	1,167,808	(1,400,389)	-	6,754,796
Tools	150,048,029	33,600,606	(1,040,400)	60,816,750	243,424,985
Vehicles	11,936,200	-	-	-	11,936,200
Leasehold improvements in progress and asset under installation	66,129,164	20,889,833	-	(78,172,006)	8,846,991
Total cost	546,522,740	130,866,910	(34,921,033)	-	642,468,617
Accumulated depreciation					
Leasehold improvements	(50,647,149)	(14,604,310)	383,632	-	(64,867,827)
Aircraft improvements	(5,596,225)	(6,920,141)	-	-	(12,516,366)
Office tools	(10,130,230)	(2,634,358)	969,570	-	(11,795,018)
Office equipment	(14,390,616)	(4,735,127)	1,090,227	-	(18,035,516)
Computer equipment	(119,049,245)	(15,660,377)	29,713,451	-	(104,996,171)
Communication equipment	(5,298,469)	(704,356)	1,379,314	-	(4,623,511)
Tools	(47,510,747)	(31,899,473)	962,221	-	(78,447,999)
Vehicles	(8,209,090)	(461,008)	-	-	(8,670,098)
Total accumulated depreciation	(260,831,771)	(77,619,150)	34,498,415	-	(303,952,506)
Leasehold improvements and equipment	285,690,969				338,516,111

As at December 31, 2015

UNIT : BAHT

	Consolidated financial statements				
	Balance as at January 1, 2015 Baht	Additions Baht	Disposals Baht	Transfer in (out) Baht	Balance as at December 31, 2015 Baht
Cost					
Leasehold improvements	64,518,066	1,807,329	(3,014,728)	21,205,235	84,515,902
Aircraft improvements	19,485,448	-	-	-	19,485,448
Office tools	13,813,612	4,631,580	(1,130,189)	484,976	17,799,979
Office equipment	24,048,783	4,175,216	(1,904,131)	1,826,315	28,146,183
Computer equipment	162,469,251	18,613,994	(19,686,687)	77,900	161,474,458
Communication equipment	7,081,353	797,718	(891,694)	-	6,987,377
Tools	112,682,792	14,720,847	(565,879)	23,210,269	150,048,029
Vehicles	11,936,200	-	-	-	11,936,200
Leasehold improvements in progress and asset under installation	63,928,984	49,048,254	(43,379)	(46,804,695)	66,129,164
Total cost	479,964,489	93,794,938	(27,236,687)	-	546,522,740
Accumulated depreciation					
Leasehold improvements	(38,460,170)	(14,933,246)	2,746,267	-	(50,647,149)
Aircraft improvements	(3,281,432)	(2,314,793)	-	-	(5,596,225)
Office tools	(9,381,056)	(1,825,031)	1,075,857	-	(10,130,230)
Office equipment	(12,513,951)	(3,633,960)	1,757,295	-	(14,390,616)
Computer equipment	(126,123,003)	(12,591,939)	19,665,697	-	(119,049,245)
Communication equipment	(5,509,236)	(639,685)	850,452	-	(5,298,469)
Tools	(23,791,246)	(24,264,509)	545,008	-	(47,510,747)
Vehicles	(7,071,101)	(1,137,989)	-	-	(8,209,090)
Total accumulated depreciation	(226,131,195)	(61,341,152)	26,640,576	-	(260,831,771)
Leasehold improvements and equipment	<u>253,833,294</u>				<u>285,690,969</u>

Depreciation for the years ended December 31,

2016	Baht	77,619,150
2015	Baht	61,341,152

As at December 31, 2016 and 2015, cost value of equipment which are fully depreciated but still in use of the Company and its subsidiaries are Baht 149.89 million and Baht 152.87 million, respectively.

As at December 31, 2016

UNIT : BAHT

	Separate financial statements				
	Balance as at January 1, 2016 Baht	Additions Baht	Disposals Baht	Transfer in (out) Baht	Balance as at December 31, 2016 Baht
Cost					
Leasehold improvements	76,894,294	-	(383,635)	11,246,544	87,757,203
Aircraft improvements	19,485,448	43,877,355	-	4,824,352	68,187,155
Office tools	17,799,979	2,610,701	(1,093,202)	164,620	19,482,098
Office equipment	24,237,149	4,091,458	(1,220,565)	902,256	28,010,298
Computer equipment	159,017,790	21,746,825	(29,782,842)	217,484	151,199,257
Communication equipment	6,987,377	1,167,808	(1,400,389)	-	6,754,796
Tools	148,372,029	33,548,606	(1,040,400)	60,816,750	241,696,985
Vehicles	11,936,200	-	-	-	11,936,200
Leasehold improvements in progress and asset under installation	66,129,164	20,889,833	-	(78,172,006)	8,846,991
Total cost	530,859,430	127,932,586	(34,921,033)	-	623,870,983
Accumulated depreciation					
Leasehold improvements	(47,852,058)	(12,758,228)	383,632	-	(60,226,654)
Aircraft improvements	(5,596,225)	(6,920,141)	-	-	(12,516,366)
Office tools	(10,130,230)	(2,634,358)	969,570	-	(11,795,018)
Office equipment	(13,484,772)	(3,872,500)	1,090,227	-	(16,267,045)
Computer equipment	(118,261,837)	(14,719,622)	29,713,451	-	(103,268,008)
Communication equipment	(5,298,469)	(704,356)	1,379,314	-	(4,623,511)
Tools	(47,390,317)	(31,556,585)	962,221	-	(77,984,681)
Vehicles	(8,209,090)	(461,008)	-	-	(8,670,098)
Total accumulated depreciation	(256,222,998)	(73,626,798)	34,498,415	-	(295,351,381)
Leasehold improvements and equipment	274,636,432				328,519,602

As at December 31, 2015

UNIT : BAHT

	Separate financial statements				Balance as at December 31, 2015 Baht
	Balance as at January 1, 2015 Baht	Additions Baht	Disposals Baht	Transfer in (out) Baht	
Cost					
Leasehold improvements	58,703,787	-	(3,014,728)	21,205,235	76,894,294
Aircraft improvements	19,485,448	-	-	-	19,485,448
Office tools	13,813,612	4,631,580	(1,130,189)	484,976	17,799,979
Office equipment	20,402,937	3,912,028	(1,904,131)	1,826,315	24,237,149
Computer equipment	161,306,353	17,320,224	(19,686,687)	77,900	159,017,790
Communication equipment	7,081,353	797,718	(891,694)	-	6,987,377
Tools	112,682,792	13,044,847	(565,879)	23,210,269	148,372,029
Vehicles	11,936,200	-	-	-	11,936,200
Leasehold improvements in progress and asset under installation	63,928,984	49,048,254	(43,379)	(46,804,695)	66,129,164
Total cost	469,341,466	88,754,651	(27,236,687)	-	530,859,430
Accumulated depreciation					
Leasehold improvements	(38,460,170)	(12,138,155)	2,746,267	-	(47,852,058)
Aircraft improvements	(3,281,432)	(2,314,793)	-	-	(5,596,225)
Office tools	(9,381,056)	(1,825,031)	1,075,857	-	(10,130,230)
Office equipment	(12,385,769)	(2,856,298)	1,757,295	-	(13,484,772)
Computer equipment	(125,997,135)	(11,930,399)	19,665,697	-	(118,261,837)
Communication equipment	(5,509,236)	(639,685)	850,452	-	(5,298,469)
Tools	(23,791,246)	(24,144,079)	545,008	-	(47,390,317)
Vehicles	(7,071,101)	(1,137,989)	-	-	(8,209,090)
Total accumulated depreciation	(225,877,145)	(56,986,429)	26,640,576	-	(256,222,998)
Leasehold improvements and equipment	<u>243,464,321</u>				<u>274,636,432</u>
Depreciation for the years ended December 31,					
2016				Baht	<u>73,626,798</u>
2015				Baht	<u>56,986,429</u>

As at December 31, 2016 and 2015, cost value of equipment which are fully depreciated but still in use of the Company are Baht 149.89 million and Baht 152.87 million, respectively.

14. INTANGIBLE ASSETS

Intangible assets are as follows:

As at December 31, 2016

Consolidated financial statements					UNIT : BAHT
	Balance as at January 1, 2016 Baht	Additions Baht	Disposals Baht	Transfer in (out) Baht	Balance as at December 31, 2016 Baht
Cost					
Computer software	156,358,805	33,471,487	(17,016,696)	16,560,247	189,373,843
Software under development	12,936,498	7,322,750	-	(16,560,247)	3,699,001
Total cost	169,295,303	40,794,237	(17,016,696)	-	193,072,844
Accumulated amortization					
Computer software	(120,972,503)	(23,916,912)	17,016,360	-	(127,873,055)
Total accumulated amortization	(120,972,503)	(23,916,912)	17,016,360	-	(127,873,055)
Intangible assets	48,322,800				65,199,789

As at December 31, 2015

Consolidated financial statements					UNIT : BAHT
	Balance as at January 1, 2015 Baht	Additions Baht	Disposals Baht	Transfer in (out) Baht	Balance as at December 31, 2015 Baht
Cost					
Computer software	153,006,012	4,398,293	(12,545,887)	11,500,387	156,358,805
Software under development	5,992,298	19,018,406	(573,819)	(11,500,387)	12,936,498
Total cost	158,998,310	23,416,699	(13,119,706)	-	169,295,303
Accumulated amortization					
Computer software	(112,837,304)	(20,680,982)	12,545,783	-	(120,972,503)
Total accumulated amortization	(112,837,304)	(20,680,982)	12,545,783	-	(120,972,503)
Intangible assets	46,161,006				48,322,800

Amortization for the years ended December 31,

2016	Baht	23,916,912
2015	Baht	20,680,982

As at December 31, 2016 and 2015, cost value of intangible assets which are fully amortized but still in use of the Company and its subsidiaries are Baht 68.13 million and Baht 44.76 million, respectively.

As at December 31, 2016

UNIT : BAHT

	Separate financial statements				Balance as at December 31, 2016 Baht
	Balance as at January 1, 2016 Baht	Additions Baht	Disposals Baht	Transfer in (out) Baht	
Cost					
Computer software	149,715,575	33,448,086	(17,016,696)	16,560,247	182,707,212
Software under development	12,246,498	6,838,750	-	(16,560,247)	2,525,001
Total cost	161,962,073	40,286,836	(17,016,696)	-	185,232,213
Accumulated amortization					
Computer software	(119,970,020)	(22,553,100)	17,016,360	-	(125,506,760)
Total accumulated amortization	(119,970,020)	(22,553,100)	17,016,360	-	(125,506,760)
Intangible assets	41,992,053				59,725,453

As at December 31, 2015

UNIT : BAHT

	Separate financial statements				Balance as at December 31, 2015 Baht
	Balance as at January 1, 2015 Baht	Additions Baht	Disposals Baht	Transfer in (out) Baht	
Cost					
Computer software	153,006,012	2,185,750	(12,545,887)	7,069,700	149,715,575
Software under development	2,546,760	17,343,257	(573,819)	(7,069,700)	12,246,498
Total cost	155,552,772	19,529,007	(13,119,706)	-	161,962,073
Accumulated amortization					
Computer software	(112,837,304)	(19,678,499)	12,545,783	-	(119,970,020)
Total accumulated amortization	(112,837,304)	(19,678,499)	12,545,783	-	(119,970,020)
Intangible assets	42,715,468				41,992,053
Amortization for the years ended December 31,					
2016				Baht	22,553,100
2015				Baht	19,678,499

As at December 31, 2016 and 2015, cost value of intangible assets which are fully amortized but still in use of the Company are Baht 68.13 million and Baht 44.76 million, respectively.

15. DEFERRED TAX ASSETS AND INCOME TAX EXPENSE

Deferred tax assets consist of:

	Consolidated financial statements		Separate financial statements	
	As at December 31, 2016	As at December 31, 2015	As at December 31, 2016	As at December 31, 2015
Deferred tax assets	13,321,915	13,159,296	13,321,915	13,159,296

The movements of deferred tax assets during the years are as follows:

	Consolidated and separate financial statements			
	Balances As at January 1, 2016	Items recognized in profit or loss	Items recognized in other comprehensive income	Balances As at December 31, 2016
Deferred tax asset				
Allowance for doubtful accounts	357,612	28,913	-	386,525
Employee benefit obligations	12,801,684	(107,987)	241,693	12,935,390
Total	13,159,296	(79,074)	241,693	13,321,915

	Consolidated and separate financial statements			
	Balances As at January 1, 2015	Items recognized in profit or loss	Items recognized in other comprehensive income	Balances As at December 31, 2015
Deferred tax asset				
Allowance for doubtful accounts	360,689	(3,077)	-	357,612
Deferred income from customer loyalty programmes	6,617,843	(6,617,843)	-	-
Employee benefit obligations	12,397,074	428,939	(24,329)	12,801,684
Total	19,375,606	(6,191,981)	(24,329)	13,159,296

Income tax expense for the years ended December 31, consist of:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Current tax for the period	-	-	-	-
Deferred income tax	79,074	6,191,981	79,074	6,191,981
Income tax expense	79,074	6,191,981	79,074	6,191,981

Reconciliation between income tax expense and the amount of tax derived from accounting profit multiplied by the applicable tax rate for the years ended December 31, are as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Accounting profit for non-promoted business	765,255,676	309,192,910	760,229,680	339,618,795
Accounting loss for promoted business	(4,035,159,019)	(1,967,492,429)	(3,386,976,798)	(757,367,872)
Accounting loss before income tax expense	<u>(3,269,903,343)</u>	<u>(1,658,299,519)</u>	<u>(2,626,747,118)</u>	<u>(417,749,077)</u>
Income tax calculated based on tax rate at 20%	153,051,135	61,838,582	152,045,936	67,923,795
Effect of loss for promoted business used as tax deduction	(153,051,135)	(61,838,582)	(152,045,936)	(67,923,795)
Tax effect of temporary differences	<u>79,074</u>	<u>6,191,981</u>	<u>79,074</u>	<u>6,191,981</u>
Corporate income tax expenses as presented in the statements of profit or loss and other comprehensive income	<u>79,074</u>	<u>6,191,981</u>	<u>79,074</u>	<u>6,191,981</u>

16. SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

As at December 31, 2016, a subsidiary had short-term loans from two financial institutions in the form of promissory notes of Baht 350 million per each totaling of Baht 700 million which were guaranteed by the Company and major shareholder of major shareholder of the subsidiary. Such loan carries the interest rate at Money Market Rate (MMR) per annum and BIBOR of each financial institution per annum and due on February 10, 2017. (see Note 31)

As at December 31, 2015, the Company had short-term loans amounting to Baht 520 million were obtained from a financial institution in the form of promissory note with no collateral. The borrowings carry interest at a Minimum Loan Rate less 1% per annum. The Company fully paid for such borrowing in March 2016.

17. TRADE AND OTHER PAYABLES

Trade and other payables are as follows:

	Consolidated financial statements		Separate financial statements	
	As at December 31, 2016	As at December 31, 2015	As at December 31, 2016	As at December 31, 2015
Trade payables - related parties (see Note 25.1)	60,794,946	100,700,255	52,090,327	91,863,231
Trade payables - other parties	984,520,419	590,578,375	688,263,936	393,862,954
Other payables - related parties (see Note 25.1)	7,534,790	5,726,889	7,534,790	5,726,889
Other payables - other parties	14,102,918	33,704,619	9,417,582	20,557,231
Unearned passenger revenues	1,324,053,519	882,573,120	717,044,330	684,883,282
Other advance received	577,763,951	357,230,560	146,298,520	126,924,842
Accrued expenses	1,498,568,392	963,689,285	1,026,431,370	718,952,219
Total	<u>4,467,338,935</u>	<u>2,934,203,103</u>	<u>2,647,080,855</u>	<u>2,042,770,648</u>

18. PROVISIONS FOR AIRCRAFT MAINTENANCE

Provisions for aircraft maintenance consist of:

	Consolidated financial statements		Separate financial statements	
	As at December 31, 2016	As at December 31, 2015	As at December 31, 2016	As at December 31, 2015
Provisions for aircraft maintenance at beginning of the year	433,862,661	169,932,708	406,222,400	158,169,243
<u>Add</u> Increase during the year				
- recognized as expenses for the year	445,927,234	400,325,753	422,204,111	384,448,957
<u>Less</u> Aircraft maintenance cost paid during the year	(106,923,668)	(136,395,800)	(106,923,668)	(136,395,800)
Provisions for aircraft maintenance at the end of the year	772,866,227	433,862,661	721,502,843	406,222,400
<u>Less</u> Short-term provisions for aircraft maintenance	(128,239,187)	(133,908,652)	(92,247,326)	(113,497,382)
Long-term provisions for aircraft maintenance	<u>644,627,040</u>	<u>299,954,009</u>	<u>629,255,517</u>	<u>292,725,018</u>

19. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations consist of:

	Consolidated financial statements		Separate financial statements	
	As at December 31, 2016	As at December 31, 2015	As at December 31, 2016	As at December 31, 2015
Retirement benefits	190,084,826	134,719,340	178,550,136	127,869,939
Other long term benefit - Pilot saving fund	<u>32,817,238</u>	<u>41,623,626</u>	<u>32,817,238</u>	<u>41,623,626</u>
Total	<u>222,902,064</u>	<u>176,342,966</u>	<u>211,367,374</u>	<u>169,493,565</u>

19.1 Retirement benefits

Movements in the retirement benefits are as follows:

	Consolidated financial statements		Separate financial statements	
	As at December 31, 2016	As at December 31, 2015	As at December 31, 2016	As at December 31, 2015
Retirement benefits at the beginning of the year	134,719,340	103,436,274	127,869,939	103,436,274
Benefits paid	(16,361,004)	(12,984,703)	(16,361,004)	(12,984,703)
Current service costs and interest cost	59,679,906	46,491,579	52,274,537	39,642,178
Actuarial loss (gain)	<u>12,046,584</u>	<u>(2,223,810)</u>	<u>14,766,664</u>	<u>(2,223,810)</u>
Retirement benefits at the end of the year	<u>190,084,826</u>	<u>134,719,340</u>	<u>178,550,136</u>	<u>127,869,939</u>

For the years ended December 31, 2016 and 2015, the Company recognized actuarial loss (gain) in the statements of profit or loss and other comprehensive income in the amount of Baht 14.77 million and Baht (2.22) million, respectively. Such actuarial (gain) mainly resulted from changing discount rate, turnover rate and demographic assumption of the principle actuarial assumptions.

Retirement benefits recognized in the statements of profit or loss and other comprehensive income for the years ended December 31, are as follows:

	UNIT : BAHT			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Current service costs	56,487,852	43,763,101	49,452,648	36,952,086
Interest cost	3,192,054	2,728,478	2,821,889	2,690,092
Total	59,679,906	46,491,579	52,274,537	39,642,178

The principal actuarial assumptions as at December 31, 2016 and 2015 are as follows;

	Consolidated financial statements	
	2016	2015
	Percentage (% p.a.)	Percentage (% p.a.)
Discount rate	2.12 - 2.74	2.39 - 3.04
Salary increase rate	3.00 - 6.50	3.00 - 6.00
Employee turnover	0 - 30.00	0 - 30.00
	(depend on employee age)	(depend on employee age)
	TMO2008	TMO2008
Mortality rate	(Thai Mortality Ordinary Table 2008)	(Thai Mortality Ordinary Table 2008)

	Separate financial statements	
	2016	2015
	Percentage (% p.a.)	Percentage (% p.a.)
Discount rate	2.12	2.39
Salary increase rate	5.00	5.00
Employee turnover	0 - 16.00	0 - 16.00
	(depend on employee age)	(depend on employee age)
	TMO2008	TMO2008
Mortality rate	(Thai Mortality Ordinary Table 2008)	(Thai Mortality Ordinary Table 2008)

Significant actuarial assumptions for the determination of the employee benefit obligations are discount rate, expected salary increase rate and mortality rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumption occurring at the end of the reporting period, while holding all other assumptions are constant.

	UNIT : BAHT			
	Impact on employee benefit obligations increases (decreases)			
	Consolidated financial Statements		Separate financial statements	
	2016	2015	2016	2015
Discount rate - increase by 1%	(21,470,125)	(10,916,623)	(11,001,776)	(10,297,294)
Discount rate - decrease by 1%	26,124,230	13,142,869	13,340,703	12,411,794
Salary increase rate - increase by 1%	24,300,084	10,975,991	11,494,447	10,233,242
Salary increase rate - decrease by 1%	(20,018,737)	(9,268,094)	(9,588,669)	(8,626,914)
Life expectancy - increase by 1 year	12,634,709	1,111,066	1,149,626	1,080,618
Life expectancy - decrease by 1 year	(12,708,459)	(1,089,259)	(1,129,327)	(1,062,030)

The sensitivity analysis presented above may not be representative of the actual change in the employee benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the employee benefit obligations have been calculated using the Projected Unit Credit Method at the end of the report period, which is the same as that applied in calculating the post-employment benefit obligations liability recognized in the statement of financial position.

19.2 Other long-term employee benefit - Pilot saving fund

Movements in other long-term employee benefit - Pilot saving fund are as follows:

	UNIT : BAHT			
	Consolidated financial statements		Separate financial statements	
	As at December 31, 2016	As at December 31, 2015	As at December 31, 2016	As at December 31, 2015
Other long-term benefit				
- Pilot saving fund at the beginning of the year	41,623,626	26,719,411	41,623,626	26,719,411
<u>Add</u> Increase during the year - recognized as expenses for the year	11,209,623	14,904,215	11,209,623	14,904,215
<u>Less</u> Reverse during the year	(20,016,011)	-	(20,016,011)	-
Other long-term benefit				
- Pilot saving fund at the end of the year	<u>32,817,238</u>	<u>41,623,626</u>	<u>32,817,238</u>	<u>41,623,626</u>

Since January 1, 2013, the Company has provided other benefits to Pilot upon the retirement age or upon resignation or loosen license cause. This accumulated saving fund to pilots is calculated on the basis of actual number of flights per month and years of service of pilots as per the Company's policy.

20. CAPITAL MANAGEMENT

The Company and its subsidiaries' objective in managing capital is to safeguard the Company and its subsidiaries' ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company and its subsidiaries do not apply any financial ratio to monitor its capital whilst manages its capital to be sufficient for its working capital.

21. LEGAL RESERVE

Under the Public Limited Companies Act, the Company is required to appropriate as legal reserve at least 5% of its net profit of each year after deduction of deficit (if any) until the reserve reaches 10% of authorized share capital. This reserve is not available for dividend distribution.

As at December 31, 2016 and 2015, the Company's legal reserve is equal to 10% of the authorized share capital.

22. OTHER INCOME - OTHERS

Other income - others consist of:

	UNIT : BAHT			
	For the years ended December 31,			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Gain on exchange rate	-	205,350,927	-	196,721,581
Gain on sale and leaseback aircraft (see Note 8)	312,722,672	182,797,507	312,722,672	182,797,507
Refund for aircraft maintenance	189,991,438	-	189,991,438	-
Other fee income	81,214,840	78,615,129	73,114,119	76,580,686
Revenue from internet service under Type I license	-	-	-	-
Others	92,163,496	32,364,580	62,423,636	29,364,047
Total	<u>676,092,446</u>	<u>499,128,143</u>	<u>638,251,865</u>	<u>485,463,821</u>

23. PROVIDENT FUND

The Company has set up a Provident Fund which is contributory by employees and the Company. The fund is registered as the provident fund in accordance with the Provident Fund Act B.E. 2530.

The Company contributed to the provident fund and recorded as expenses in the statements of profit or loss and other comprehensive income as follows:

	UNIT : BAHT			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
For the years ended December 31,	<u>30,968,578</u>	<u>27,156,013</u>	<u>30,968,578</u>	<u>27,156,013</u>

24. EXPENSES BY NATURE

The significant expenses classified by nature for the years ended December 31, are as follows:

	UNIT : BAHT			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Fuel expenses	3,832,313,805	3,600,800,558	2,745,423,933	3,316,865,886
Employee benefit expenses	1,814,301,023	1,353,886,199	1,424,732,089	1,036,858,546
Ground service expenses and navigation fee	2,065,921,244	1,480,741,798	1,574,830,380	1,335,181,911
Expenses related to pilots and cabin crews	592,135,258	496,029,676	474,487,922	477,716,577
Aircraft maintenance expenses	4,746,891,164	3,806,329,700	3,848,337,826	3,262,795,195
Depreciation and amortization expenses	101,536,062	82,022,134	96,179,898	76,664,928
Aircraft lease and spare part	4,265,086,122	3,294,112,566	3,606,581,370	2,814,073,589
Merchandise and supplies used	248,800,596	211,797,524	204,093,937	194,294,218
Promotion advertising expenses	301,143,143	394,070,544	258,991,786	349,463,466
Insurance expense	124,692,795	108,129,081	98,097,855	92,627,985
Credit card fee	114,770,473	125,973,918	114,770,473	119,006,366
Call center customers expense	102,721,148	104,468,538	102,731,648	104,468,538
Passenger transportation expense	278,480,008	104,323,774	50,690,037	45,624,108

25. RELATED PARTY TRANSACTIONS

The Company has transactions with its related parties which have the same group of shareholders and directors. Those transactions occurred in the normal course of business based on the basis determined by the Company and related persons and related parties.

Significant related persons and related parties as at December 31, 2016 and 2015, consist of:

Company Name	Type of Businesses	Relationship
NokScoot Airlines Co., Ltd.	Air transport services for passengers, parcel and parcel post	Indirect subsidiary
Nok Mangkang Co., Ltd.	Air transport services for passengers, parcel and parcel post	Subsidiary
Nok Holidays Co., Ltd.	Tourism and other relevant businesses	Subsidiary
Pan Am International Flight Training Center (Thailand) Co., Ltd.	Cockpit training services	The Company's management is director.
Air Black Box Asia Pacific Pte Ltd.	Platform for airline reservation systems	Joint venture
Pueannammitr Co., Ltd.	Acquiring, hire-purchase and managing assets	The Company's managements are shareholder.
Thai Airways International PLC.	Services transportation and logistics	Common shareholders and director
Thai Smile Airways Co., Ltd.	Services transportation and logistics	Common shareholders and director
Donmuang International Airport Hotel Co., Ltd.	Hotel	Same group of shareholders
Phuket Air Catering Company Limited	Catering services	Same group of shareholders
Thai Flight Training Co., Ltd.	Cockpit training	Same group of shareholders
Dhipaya Insurance PLC.	General insurance	Common director
Major Cineplex Group PLC.	Services media cinema and publishing	Common director
Siam Premier International Law Office Limited	Legal advisory	Common director
Haad Thip Public Company Limited	Manufacturing and distribution of soft drinks	Spouse of common director

25.1 Balances with related parties are as follows:

	UNIT : BAHT			
	Consolidated financial statements		Separate financial statements	
	As at December 31, 2016	As at December 31, 2015	As at December 31, 2016	As at December 31, 2015
Trade receivables - related parties (see Note 6.1)				
Thai Airways International PLC.	1,070	38,714	1,070	38,714
Thai Smile Airways Co., Ltd.	829,875	2,642,684	829,875	2,642,684
Dhipaya Insurance PLC.	4,953,999	1,939,864	4,953,999	1,939,864
NokScoot Airlines Co., Ltd.	-	-	13,142,562	2,839,811
Haad Thip Public Company Limited	18,393	-	18,393	-
Total	<u>5,803,337</u>	<u>4,621,262</u>	<u>18,945,899</u>	<u>7,461,073</u>
Accrued income - related parties (see Note 6.1)				
Thai Airways International PLC.	-	37,046	-	37,046
Thai Smile Airways Co., Ltd.	-	1,653,580	-	1,653,580
Dhipaya Insurance PLC.	1,601,776	1,621,311	1,601,776	1,621,311
NokScoot Airlines Co., Ltd.	-	-	18,497,838	7,292,324
Total	<u>1,601,776</u>	<u>3,311,937</u>	<u>20,099,614</u>	<u>10,604,261</u>
Advance payments - related parties (see Note 6.1)				
Thai Airways International PLC.	1,068,799	-	-	-
Nok Mangkang Co., Ltd.	-	-	672,113	427,253
Nok Holidays Co., Ltd.	-	-	989,166	694,672
Air Black Box Asia Pacific Pte Ltd.	-	11,844,830	-	11,844,830
Total	<u>1,068,799</u>	<u>11,844,830</u>	<u>1,661,279</u>	<u>12,966,755</u>
Long-term loans to a related party (see Note 12)				
Nok Mangkang Co., Ltd.	<u>-</u>	<u>-</u>	<u>970,000,000</u>	<u>970,000,000</u>
Other non-current assets - Accrued interest income (see Note 12)				
Nok Mangkang Co., Ltd.	<u>-</u>	<u>-</u>	<u>33,024,178</u>	<u>18,060,400</u>
Trade payables - related parties (see Note 17)				
Thai Airways International PLC.	55,192,894	89,983,175	45,840,548	81,036,962
Thai Smile Airways Co., Ltd.	1,936,093	2,284,302	1,936,093	2,284,302
Donmuang International Airport Hotel Co., Ltd.	754,360	708,063	754,360	708,063
Thai Flight Training Co., Ltd.	273,000	273,000	273,000	273,000
NokScoot Airlines Co., Ltd.	-	-	647,727	109,189
Pan Am International Flight Training Center (Thailand) Co., Ltd.	2,638,599	7,451,715	2,638,599	7,451,715
Total	<u>60,794,946</u>	<u>100,700,255</u>	<u>52,090,327</u>	<u>91,863,231</u>

	UNIT : BAHT	
	Consolidated financial statements	Separate financial statements
	As at December 31, 2016	As at December 31, 2015
Other payables - related parties (see Note 17)		
Dhipaya Insurance PLC.	5,525,651	5,726,889
Siam Premier International Law Office Ltd.	2,009,139	-
Total	<u>7,534,790</u>	<u>5,726,889</u>
Other current liabilities – a related party		
NokScoot Airlines Co., Ltd.	<u>-</u>	<u>-</u>
		<u>998,153</u>
		<u>62,371</u>

25.2 Transactions with related parties for the years ended December 31, are summarized as follows:

	UNIT : BAHT	
	Consolidated financial statements	Separate financial statements
	2016	2015
Passenger revenues		
Thai Airways International PLC.	2,238	459,826
Thai Smile Airways Co., Ltd.	688,580	1,021,760
NokScoot Airlines Co., Ltd.	-	-
Haad Thip Public Company Limited	152,462	-
Total	<u>843,280</u>	<u>1,481,586</u>
Service revenues		
Thai Airways International PLC.	14,844	52,871
Thai Smile Airways Co., Ltd.	2,760,510	21,484,413
NokScoot Airlines Co., Ltd.	-	-
Total	<u>2,775,354</u>	<u>21,537,284</u>
Other fee income		
Dhipaya Insurance PLC.	<u>20,210,113</u>	<u>22,587,897</u>
Others income - interest income		
Nok Mangkang Co., Ltd.	<u>-</u>	<u>-</u>
		<u>14,963,778</u>
		<u>16,444,373</u>

Passenger revenues and service revenues are determined based on cost plus margin as stipulated in the agreements. Other service fee income and interest income are determined based on rate as stipulated in the agreements.

	UNIT : BAHT			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Costs of passengers and services				
Thai Airways International PLC.	379,670,824	120,875,385	276,925,465	120,875,385
Thai Smile Airways Co., Ltd.	34,501,513	2,621,169	34,501,513	2,621,169
Donmuang International				
Airport Hotel Co., Ltd.	5,993,710	2,346,653	5,993,710	2,346,653
Thai Flight Training Co., Ltd.	3,199,006	3,096,236	3,199,006	3,096,236
Dhipaya Insurance PLC.	95,720,762	89,661,418	95,720,762	89,661,418
Pan Am International Flight Training				
Center (Thailand) Co., Ltd.	36,807,041	6,971,974	36,807,041	6,971,974
NokScoot Airlines Co., Ltd.	-	-	16,225,627	498,771
Haad Thip Public Company Limited	9,252	-	9,252	-
Total	<u>555,902,108</u>	<u>225,572,835</u>	<u>469,382,376</u>	<u>226,071,606</u>
Legal fee				
Siam Premier International Law				
Office Ltd.	<u>7,479,405</u>	<u>6,285,736</u>	<u>7,479,405</u>	<u>6,285,736</u>

Costs of passenger and services is determined on normal price charged to general customers.

Directors and management's benefits for the years ended December 31, are as follows:

	UNIT : BAHT			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Short-term employee benefits	36,593,289	36,360,131	35,734,160	35,511,860
Post-employment benefits	<u>4,499,664</u>	<u>4,700,310</u>	<u>2,902,202</u>	<u>3,008,813</u>
Total	<u>41,092,953</u>	<u>41,060,441</u>	<u>38,636,362</u>	<u>38,520,673</u>

26. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENT LIABILITIES

26.1 Acquisition of aircrafts

As at December 31, 2016 and 2015, the Company has commitments for acquisition of aircrafts to be paid in the future of USD 170.61 million.

26.2 Aircraft lease agreement

As at December 31, 2016 and 2015, the Company and its subsidiary have commitments under the operating lease agreements for aircrafts for the period of 5 - 12 years with minimum lease payment as follows:

Consolidated financial statements**As at December 31, 2016**

	Currency	Periods			Total
		Within one year	Over one year but not over five years	Over five years	
Aircraft lease	USD	122,538,349	385,432,354	315,178,515	823,149,218

As at December 31, 2015

	Currency	Periods			Total
		Within one year	Over one year but not over five years	Over five years	
Aircraft lease	USD	106,781,473	374,120,921	267,530,626	748,433,020

Separate financial statements**As at December 31, 2016**

	Currency	Periods			Total
		Within one year	Over one year but not over five years	Over five years	
Aircraft lease	USD	103,296,349	344,275,854	315,178,515	762,750,718

As at December 31, 2015

	Currency	Periods			Total
		Within one year	Over one year but not over five years	Over five years	
Aircraft lease	USD	87,539,473	313,187,921	267,530,626	668,258,020

Aircraft lease expenses recognized as expenses in the statements of profit or loss and other comprehensive income are as follows:

	Consolidated		UNIT : BAHT	
	financial statements		Separate	
	2016	2015	2016	2015
For the years ended December 31,	<u>4,031,513,320</u>	<u>3,250,294,259</u>	<u>3,357,808,568</u>	<u>2,681,416,620</u>

26.3 Other lease and service agreements

As at December 31, 2016 and 2015, the Company and its subsidiaries have other significant lease and service agreements as follows:

Type of Agreements	Lease/service periods
Lease Agreements	
Office rental and service	1-3 years
Vehicle rental	1-5 years
Equipment rental	1-5 years
Service Agreements	
Aircraft maintenance	5-7 years
Ticket reservation system	3-10 years
Call Center	3 years
Airport ground service*	1-5 years
Airport usage*	1-3 years
Collection agent*	3 years
Flight information service*	3 years
Sales service*	5 years
Internet service*	5 years

Lease and service fees are based on conditions stipulated in each agreement. The Company, its subsidiaries and the counter signed parties of the agreements abide by the conditions of the agreements.

* Service fees are calculated on actual service usage.

The minimum rental fee and service fee under the agreements to be paid in the future are as follows:

Consolidated financial statements

As at December 31, 2016

Agreements	Currency	Periods			Total
		Within one year	Over one year but not over five years	Over five years	
Lease and Rental Agreements					
Office rental and service	THB	57,685,832	49,185,340	-	106,871,172
Office rental and service	CNY	303,175	66,630	-	369,805
Vehicle rental	THB	4,399,436	3,322,593	-	7,722,029
Equipment rental	THB	3,291,436	4,368,513	-	7,659,949
Service Agreements					
Aircraft maintenance	USD	38,334,964	72,855,901	-	111,190,865
Aircraft maintenance	SGD	861,900	1,651,975	-	2,513,875
Ticket reservation system	USD	2,393,386	8,735,368	-	11,128,754
Call center service	THB	8,064,000	-	-	8,064,000
Collection agent	TWD	1,500,000	-	-	1,500,000
Collection agent	USD	6,300	-	-	6,300
Flight information service	EUR	28,500	85,500	-	114,000
Flight information service	USD	9,600	-	-	9,600
Service Advisor	SGD	144,000	48,000	-	192,000

As at December 31, 2015

Agreements	Currency	Periods			Total
		Within one year	Over one year but not over five years	Over five years	
Lease and Rental Agreements					
Office rental and service	THB	36,683,705	22,685,537	-	59,369,242
Vehicle rental	THB	4,770,769	4,664,296	-	9,435,065
Equipment rental	THB	3,718,217	5,578,308	-	9,296,525
Service Agreements					
Aircraft maintenance	USD	35,637,381	103,997,309	-	139,634,690
Aircraft maintenance	SGD	861,900	2,513,875	-	3,375,775
Ticket reservation system	USD	2,265,765	7,922,483	2,709,776	12,898,024
Call center service	THB	30,129,600	8,064,000	-	38,193,600

Separate financial statements**As at December 31, 2016**

Agreements	Currency	Periods			Total
		Within one year	Over one year but not over five years	Over five years	
Lease and Rental Agreements					
Office rental and service	THB	56,054,689	49,185,340	-	105,240,029
Vehicle rental	THB	4,169,600	3,303,440	-	7,473,040
Equipment rental	THB	3,114,424	4,130,154	-	7,244,578
Service Agreements					
Aircraft maintenance	USD	20,406,377	34,010,628	-	54,417,005
Ticket reservation system	USD	1,685,298	7,835,159	-	9,520,457

As at December 31, 2015

Agreements	Currency	Periods			Total
		Within one	Over	Over	
		year	one year but not over five years	five years	
Lease and Rental Agreements					
Office rental and service	THB	33,650,480	21,421,694	-	55,072,174
Vehicle rental	THB	4,540,933	4,415,307	-	8,956,240
Equipment rental	THB	3,598,805	5,369,337	-	8,968,142
Service Agreements					
Aircraft maintenance	USD	17,708,793	47,223,448	-	64,932,241
Ticket reservation system	USD	1,506,974	7,319,983	2,200,475	11,027,432
Call center service	THB	16,305,600	-	-	16,305,600

Rental and service per lease agreements recognized as expenses in the statements of profit or loss and other comprehensive income are as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
For the years ended December 31,	<u>123,778,241</u>	<u>87,488,513</u>	<u>59,723,479</u>	<u>58,573,662</u>

26.4 Bank guarantees

The Company and subsidiaries have outstanding bank guarantees issued by banks as follows:

	Currency	Consolidated		Separate	
		financial statements		financial statements	
		As at December 31, 2016	As at December 31, 2015	As at December 31, 2016	As at December 31, 2015
General guarantee	THB	64,614,193	62,503,242	55,314,529	55,348,242
General guarantee	USD	4,000	24,000	-	-
General guarantee	SGD	-	649,000	-	-
General guarantee	KRW	-	408,246,480	-	-
Aircraft leasing guaranteed by Standby Letter of Credit	USD	54,108,362	42,945,002	52,504,862	41,341,502

Above guarantees of the Company are unsecured guarantees.

As at December 31, 2016, the Company entered into credit limit agreement for letter of guarantee with a local bank in the credit limit of Baht 700 million which is secured by savings deposit accounts of Baht 190.22 million and the Company has to maintain the significant financial ratio as specified by such bank.

As at December 31, 2016 and 2015, the letters of guarantee of a subsidiary are guaranteed by a subsidiary's saving deposits account of Baht 61.20 million and Baht 61.54 million, respectively.

26.5 Aircraft Intermediate Lease Agreement

On December 21, 2016, the Company entered into Aircraft Intermediate Lease Agreement with a company to sublease of one Boeing 737-800 MSN : 33593. The term of this agreement is forty-eight months, from December 22, 2016, which is the delivery date. The Company received rental income as specified in the agreement.

27. FINANCIAL INFORMATION BY SEGMENT

The segment information of the Company and its subsidiaries were presented by domestic and foreign business segments as follows:

	UNIT : BAHT		
	Consolidated financial statements		
	Domestic services	International services	Total
Statement of profit or loss and other comprehensive income for the year ended December 31, 2016			
Revenues			
Passenger revenues	9,856,159,763	4,906,252,888	14,762,412,651
Service revenues	27,223,062	1,435,984,014	1,463,207,076
Other income			
Interest income	27,724,293	8,882,140	36,606,433
Others	644,650,765	31,441,681	676,092,446
Total Revenues	<u>10,555,757,883</u>	<u>6,382,560,723</u>	<u>16,938,318,606</u>
Expenses			
Costs of passengers and services	12,342,508,556	6,744,987,615	19,087,496,171
Selling expenses	134,603,252	55,679,143	190,282,395
Administrative expenses	486,778,530	311,449,129	798,227,659
Finance costs	109,710,936	8,357,419	118,068,355
Total Expenses	<u>13,073,601,274</u>	<u>7,120,473,306</u>	<u>20,194,074,580</u>
Share of loss on investment in joint venture	<u>(14,147,369)</u>	<u>-</u>	<u>(14,147,369)</u>
Loss before income tax expense	<u>(2,531,990,760)</u>	<u>(737,912,583)</u>	<u>(3,269,903,343)</u>
Income tax expense	68,050	11,024	79,074
Loss for the year	<u>(2,532,058,810)</u>	<u>(737,923,607)</u>	<u>(3,269,982,417)</u>
Other comprehensive loss:			
Actuarial loss on defined employee benefit plan	(12,046,584)	-	(12,046,584)
Income tax on item that will not be reclassified subsequently	241,693	-	241,693
Other comprehensive loss for the year - net from income tax	<u>(11,804,891)</u>	<u>-</u>	<u>(11,804,891)</u>
Total comprehensive loss for the year	<u>(2,543,863,701)</u>	<u>(737,923,607)</u>	<u>(3,281,787,308)</u>
Statement of financial position as at December 31, 2016			
Segment assets	3,125,708,547	2,875,144,488	6,000,853,035
Segment liabilities	3,404,122,224	2,936,456,262	6,340,578,486

UNIT : BAHT

Consolidated financial statements

Statement of profit or loss and other comprehensive income for the year ended December 31, 2015

	Domestic services	International services	Total
Revenues			
Passenger revenues	10,997,862,491	1,856,939,945	12,854,802,436
Service revenues	767,069,451	130,743,690	897,813,141
Other income			
Interest income	44,454,509	-	44,454,509
Others	502,776,197	(3,648,054)	499,128,143
Total Revenues	12,312,162,648	1,984,035,581	14,296,198,229
Expenses			
Costs of passengers and services	11,759,465,644	3,142,829,231	14,902,294,875
Selling expenses	202,393,316	72,305,534	274,698,850
Administrative expenses	460,442,554	275,547,194	735,989,748
Finance costs	41,514,275	-	41,514,275
Total Expenses	12,463,815,789	3,490,681,959	15,954,497,748
Loss before income tax expense	(151,653,141)	(1,506,646,378)	(1,658,299,519)
Income tax expense	5,698,692	493,289	6,191,981
Loss for the year	(157,351,833)	(1,507,139,667)	(1,664,491,500)
Other comprehensive income:			
Actuarial gain on defined employee benefit plan	2,223,810	-	2,223,810
Income tax on item that will not be reclassified Subsequently	(24,329)	-	(24,329)
Other comprehensive income for the year - net from income tax	2,199,481	-	2,199,481
Total comprehensive loss for the year	(155,152,352)	(1,507,139,667)	(1,662,292,019)

Statement of financial position as at December 31, 2015

Segment assets	5,244,216,781	1,866,007,306	7,110,224,087
Segment liabilities	3,262,430,953	905,731,277	4,168,162,230

28. INVESTMENT PROMOTION RIGHTS AND PRIVILEGES

The Company and subsidiary have been granted certain rights and privileges as a promoted business under the Investment Promotion Act which the Company will be exempted from corporate income tax on promotional operations in service airlines for the aggregated amount not exceeding 100% of the Company's investment, excluding cost of land and working capital for a period of 8 years from the commencement of promoted revenue. The Company and subsidiary shall follow the conditions laid out in the investment promotion certificate.

As at December 31, 2016 and 2015, the Company's investment promotion certificates are as follows:

Date of certificate	Certificate number	Revenue commenced date	Expiry date
November 17, 2011	2512(2)/2554	November 24, 2011	November 23, 2019
November 22, 2011	2513(2)/2554	December 2, 2011	December 1, 2019
November 29, 2011	1087(2)/2555	December 28, 2011	December 27, 2019
March 20, 2012	1475(2)/2555	June 9, 2012	June 8, 2020
June 12, 2012	1893(2)/2555	September 18, 2012	September 17, 2020
August 21, 2012	2447(2)/2555	December 1, 2012	November 30, 2020
September 14, 2012	2549(2)/2555	March 12, 2013	March 11, 2021
October 24, 2012	2771(2)/2555	December 31, 2012	December 30, 2020
October 30, 2012	2772(2)/2555	December 29, 2012	December 28, 2020
October 30, 2012	2773(2)/2555	February 19, 2013	February 18, 2021
February 8, 2013	1207(2)/2556	February 22, 2013	February 21, 2021
March 5, 2013	1518(2)/2556	May 17, 2013	May 16, 2021 *
March 19, 2013	1558(2)/2556	May 21, 2013	May 20, 2021
May 17, 2013	1916(2)/2556	October 28, 2013	October 27, 2021
November 25, 2014	1010(2)/2558	November 25, 2014	November 24, 2022
April 2, 2015	1553(2)/2558	April 20, 2015	April 19, 2023
April 2, 2015	1534(2)/2558	April 20, 2015	April 19, 2023

Shareholders of the Company and subsidiary will be exempted from tax on dividends from promoted business during the period in which the Company is granted the exemption from company income tax.

The Company and the subsidiary thus have to comply with certain conditions contained in the promotion certificates.

* Certificate no. 1518(2)/2556 is on process for cancel the certificate before expiry date to the project because the Company subleased aircraft Boeing 737-800 MSN : 33593

	UNIT : BAHT		
	Consolidated financial statements		
	2016		
	Promoted business	Non-promoted business	Total
Passenger revenues and service revenues	15,767,043,215	458,576,512	16,225,619,727
Other income	46,525,058	666,173,821	712,698,879
Total	<u>15,813,568,273</u>	<u>1,124,750,333</u>	<u>16,938,318,606</u>

UNIT : BAHT			
Consolidated financial statements			
2015			
	Promoted business	Non-promoted business	Total
Passenger revenues and service revenues	13,523,021,458	229,594,119	13,752,615,577
Other income	203,781,274	339,801,378	543,582,652
Total	<u>13,726,802,732</u>	<u>569,395,497</u>	<u>14,296,198,229</u>

UNIT : BAHT			
Separate financial statements			
2016			
	Promoted business	Non-promoted business	Total
Passenger revenues and service revenues	12,180,485,721	259,337,798	12,439,823,519
Other income	-	679,853,791	679,853,791
Total	<u>12,180,485,721</u>	<u>939,191,589</u>	<u>13,119,677,310</u>

UNIT : BAHT			
Separate financial statements			
2015			
	Promoted business	Non-promoted business	Total
Passenger revenues and service revenues	12,627,296,590	221,852,098	12,849,148,688
Other income	194,250,838	343,323,928	537,574,766
Total	<u>12,821,547,428</u>	<u>565,176,026</u>	<u>13,386,723,454</u>

29. DISCLOSURE OF INFORMATION ON FINANCIAL INSTRUMENTS

29.1 Credit risk

Credit risk refers to the risk that accounts receivable will default on its contractual obligations resulting in a financial loss to the Company and subsidiaries. The Company and subsidiaries may have concentration of risks from its receivables. However, the Company and subsidiaries do not have significant damage incurred from non-compliance with its contractual obligations of the accounts receivable and expects that there is no significant credit risk.

In the case of recognized financial assets in the statement of financial position, the carrying amount of the assets recorded in the statement of financial position represents the maximum exposure to credit risk.

29.2 Interest rate risk

Interest rate risk arises from the potential for a change in interest rates to have an effect on the operation of the Company and subsidiaries in the current reporting period and in future years. However, the effect of the change in interest rate does not have a material impact on the Company and subsidiaries because investments in debt securities and borrowings will be due in short-term.

29.3 Exchange rate risk

Exchange rate risk arises from a change in exchange rate effect on the Company and subsidiaries in the current reporting period and in future years.

The Company and the subsidiary use derivative financial instruments which consist of forward contracts to reduce exposure to fluctuations in foreign currency exchange.

Forward contract protects from movements in exchange rate by establishing the rate at which a foreign currency asset and liability will be settled. Any increase or decrease in the amount required to settle the asset or liability is off-set by a corresponding movement in the forward exchange contract.

The notional contract amount and the fair value of forward foreign exchange contracts are summarized as follows:

Consolidated financial statements							
Contract amounts			Deliverable amount			Fair value (Baht)	
Currency	As at December 31, 2016	As at December 31, 2015	Currency	As at December 31, 2016	As at December 31, 2015	As at December 31, 2016	As at December 31, 2015
USD	7,702,339	12,654,000	THB	269,010,857	454,112,325	277,394,430	457,790,207
CNY	-	5,000,000	THB	-	27,675,000	-	28,263,954

Separate financial statements							
Contract amounts			Deliverable amount			Fair value (Baht)	
Currency	As at December 31, 2016	As at December 31, 2015	Currency	As at December 31, 2016	As at December 31, 2015	As at December 31, 2016	As at December 31, 2015
USD	7,702,339	12,654,000	THB	269,010,857	454,112,325	277,394,430	457,790,207

29.4 Fuel price risk

Aircraft fuel is a major cost of the Company's operation and the Company has an exposure from the fluctuation of aircraft fuel's price. Therefore, the Company has entered into fuel fixed-price contracts with fuel suppliers for 20% - 50% of volume of monthly consumption for not exceeding 12 months. As at December 31, 2016 and 2015, the Company has the obligations for payments of aircraft fuel under fuel fixed-price contracts of USD 1.70 million and USD 11.02 million, respectively.

29.5 Fair value of financial instruments

For the fair value disclosures, considerable judgment is necessarily required in estimation of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amount that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value. The following methods and assumptions were used by the Company and subsidiaries in estimating fair value of financial instruments.

Other long-term investments which are investments in non-listed securities; fair value is based on net asset value of related securities.

Financial assets and liabilities measured at fair value

Certain financial liabilities of the Company and subsidiaries are measured at fair value in the statements of financial position at the end of reporting period. The following table gives information about how the fair values of these financial liabilities are determined.

Financial liabilities	Currency	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS		Fair value hierarchy	Valuation technique and key input
		Fair value (‘000)		Fair value (‘000)			
		As at December 31, 2016	As at December 31, 2015	As at December 31, 2016	As at December 31, 2015		
Foreign currency forward contracts	THB	-	486,054	277,394	457,790	Level 2	Discounted cash flow The estimated future cash flows is from foreign currency exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Fuel hedging agreement	USD	1,695	11,019	1,695	11,019	Level 2	Discounted cash flow The estimated future cash flows is from the fuel futures price (from observable fuel futures price at the end of reporting period) and the price of fuel under the contract, discounted at a rate that reflects the various risk of fuel.

Financial assets and liabilities not measured at fair value

Cash and cash equivalents, temporary investments, trade and other receivables, refundable value-added tax, aircraft deposits and prepayments, other current assets, deposits at bank pledged as collateral, long-term loans to a related company, short-term loans from financial institutions, trade and other payables, provisions for aircraft maintenance, withholding tax payable and other current liabilities; the carrying value approximate their fair value.

30. PRESENTATIONS

The consolidated of profit or loss and other comprehensive income for the year ended December 31, 2015 were reclassified to conform to the classifications used in the consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2016 as follows;

The consolidated and separate statements of profit and loss and other comprehensive income for the year ended December 31, 2015

Accounts	Amount (Baht)	Previous classifications	Current classifications
Revenue from Fuel	124,921,113	Inclusively presented in service revenues	Passenger revenues

31. EVENTS AFTER THE REPORTING PERIOD

- 31.1 On January 23, 2017, the Company entered into Aircraft Intermediate Lease Agreement with a company to sublease of one Boeing 737-800 MSN : 33594. The term of this agreement is forty-eight months, from January 23, 2017, which is the delivery date. The Company will receive rental income as specified in the agreement.
- 31.2 On February 10, 2017, a subsidiary renewed promissory notes of Baht 700 million from February 10, 2017 until May 9, 2017. (see Note 16)
- 31.3 On February 14, 2017, the Company entered into sale and lease back agreements totaling 2 aircrafts which the sale and lease back will be effective when the aircrafts are delivered. The lease term is 12 years. However, on the date of entering into sale and lease back agreements, the buyer has responsibility to pay all pre-delivery payments instead of the Company.
- 31.4 On 28 February 2017, the Board of directors of the Company has resolved to propose to Annual General Meeting of the Shareholders 2017 for the Company to approve the followings:
1. Approved the increase of registered capital of the Company in order to accommodate the allocation of the newly-issued ordinary shares to the existing shareholders proportionate to their respective shareholdings (Rights Offering) and to accommodate the exercise of Warrants No. 1 (NOK-W1) in the total amount of Baht 781,250,000 from the existing registered capital of Baht 625,000,000 to new registered capital of Baht 1,406,250,000 by means of issuance of 781,250,000 newly-issued ordinary shares with the par value of Baht 1 each, and the Board of Directors also approved the amendment to Clause 4 of Memorandum of Association of the Company to be in line with the capital increase.
 2. Approved the issuance and offering of warrants to purchase ordinary shares of the Company No. 1 (NOK-W1) (“**Warrant**”) to the existing shareholders who subscribe to the newly-issued ordinary shares without any cost.

3. Approved the allocation of not exceeding 781,250,000 newly-issued ordinary shares at the par value of Baht 1 per share following the increase in the registered capital as approved in item 1. above as the following details:
 - 3.1 The allocation of the newly-issued ordinary shares (not exceeding 625,000,000 shares) to the existing shareholders proportionate to their respective shareholdings (Rights Offering). In this regard, the Company determined the allocation ratio as 1 existing share to 1 newly-issued ordinary share (the total numbers of shares for the Rights Offering are 625,000,000 shares) with the offering price at Baht 2.40 per share.
 - 3.2 The allocation of not exceeding 156,250,000 newly-issued ordinary shares at the par value of Baht 1 to accommodate the exercise of Warrants No. 1 (NOK-W1) issued together with the issuance and offering of the newly-issued ordinary shares to the existing shareholders proportionated to their shareholdings (Rights Offering) without any cost as approved in item 2 aforementioned. The Warrants will be offered to the existing shareholders who subscribe to the newly-issued ordinary shares.

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statement has been approved for issue by the Company's Board of Directors on February 28, 2017.