

TSFC Securities Public Company Limited  
Report and financial statements  
For the year ended 31 December 2018



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## **Independent Auditor's Report**

To the Shareholders of TSFC Securities Public Company Limited

### **Opinion**

I have audited the accompanying financial statements of TSFC Securities Public Company Limited (the Company), which comprise the statement of financial position as at 31 December 2018, and the related statements of comprehensive income, changes in owners' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TSFC Securities Public Company Limited as at 31 December 2018, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Basis for Opinion**

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

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

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

Key audit matters and how audit procedures respond for each matter are described below.

### **Revenue from interest on margin loans**

The Company's revenues mainly consisted of interest on margin loans, which amounted to Baht 255 million for the year ended 31 December 2018, representing 91.6% of the Company's total revenues. The Company charges interest on margin loans at fixed interest rates that are adjusted periodically based on market conditions and competitive environment. Because of the size and volume of transactions, the number of customers, and the recognition of revenue from interest on margin loans relying primarily on data processed by information systems, I addressed the measurement and occurrence of interest on margin loans as key audit matter.

The audit procedures I performed were to assess and test, on a sampling basis, the Company's internal controls relevant to margin loans and recognition of interest on margin loans, including computer-based controls relevant to the calculation of interest on margin loans. I also tested, on a sampling basis, interest rates, calculation and account recording. In addition, I performed analytical procedures on interest on margin loans and examined, on a sampling basis, material manual adjustments via journal vouchers.

### **Allowance for doubtful accounts for loans and securities business receivables**

As discussed in Note 4.8 to the financial statements, the allowance for doubtful accounts is determined through consideration of specific reviews, collection risk and the value of the collateral. For credit balance transactions, the Company has policies regarding the collateral to be placed, with the value of collateral placed dependent on the type of transaction, type of securities and credit limit, among other factors. The estimation of allowance for doubtful accounts is significant because of the number of the customers and the significance of the amount of the receivables to the Company's financial statements. Therefore, I addressed the adequacy of allowance for doubtful accounts for such receivables as a key audit matter.

I have performed audit procedures on the allowance for doubtful accounts as follows:

- I assessed, and tested on a sampling basis, the Company's internal controls relevant to the calculation of allowance for doubtful debts and the recording of allowance for doubtful accounts. I also assessed the methods applied by the Company to the determination and calculation of the allowance, and compared the Company's policy with regulatory requirements. Moreover, I tested certain controls over the computer-based controls relevant to the status of account receivables, the calculation of the collateral value and the revaluation adjustments made to the fair values of collateral.
- I examined the allowance for doubtful accounts as at the period-end date by testing the completeness of the data used in the calculation of allowance for doubtful accounts, testing on a sampling basis the status of outstanding debts, the valuation of collateral items, collections of debt after the period-end date, the correctness of the debt classification and the calculation of the allowance.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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

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

Sumana Punpongsanon

Certified Public Accountant (Thailand) No. 5872

EY Office Limited

Bangkok: 25 February 2019

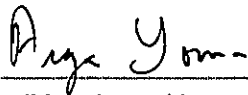
TSFC Securities Public Company Limited

Statement of financial position

As at 31 December 2018

			(Unit: Baht)
	<u>Note</u>	<u>2018</u>	<u>2017</u>
<b>Assets</b>			
Cash and cash equivalents	6	2,122,876	5,190,496
Securities purchased under resale agreements	7	-	300,090,822
Receivables from Clearing House		23,297,250	64,525,578
Securities business receivables	8	3,665,504,925	3,406,079,557
Investments	10	169,977,659	254,394,327
Loans	11	797,110,411	297,105,480
Equipment	12	5,658,970	4,230,154
Intangible assets	13	3,611,957	5,831,374
Deferred tax assets	24	8,214,650	9,660,195
Other assets	14	6,995,627	7,357,591
<b>Total assets</b>		<u>4,682,494,325</u>	<u>4,354,465,574</u>

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



(Mrs. Araya Yommana)

Director



(Miss Malaiporn Pornlert)

Assistant Vice President of  
Finance and Budget Department

**TSFC Securities Public Company Limited**  
**Statement of financial position (continued)**  
**As at 31 December 2018**

		(Unit: Baht)	
	<u>Note</u>	<u>2018</u>	<u>2017</u>
<b>Liabilities and owners' equity</b>			
<b>Liabilities</b>			
Borrowings from financial institutions	15	2,234,944,104	1,807,876,862
Payables to Clearing House		38,383,314	56,760,391
Securities business payables		50,619,557	127,332,472
Current tax liabilities		10,019,556	9,563,832
Debt issued and borrowings	16	565,273,485	638,491,024
Provisions for long-term employee benefits	26.2	14,684,645	13,686,270
Other liabilities	17	21,296,533	14,764,241
<b>Total liabilities</b>		<u>2,935,221,194</u>	<u>2,668,475,092</u>
<b>Owners' equity</b>			
Issued and paid-up share capital			
Ordinary shares	18	1,549,125,840	1,549,125,840
Retained earnings			
Appropriated - statutory reserve	19	26,238,127	21,612,240
Unappropriated		172,052,407	115,143,059
Other components of owners' equity	10.3	(143,243)	109,343
<b>Total owners' equity</b>		<u>1,747,273,131</u>	<u>1,685,990,482</u>
<b>Total liabilities and owners' equity</b>		<u><u>4,682,494,325</u></u>	<u><u>4,354,465,574</u></u>

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



(Mrs. Araya Yommana)

Director



(Miss Malaiporn Pornlert)

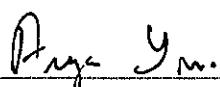
Assistant Vice President of  
 Finance and Budget Department



**TSFC Securities Public Company Limited**  
**Statement of comprehensive income**  
**For the year ended 31 December 2018**

		(Unit: Baht)	
	<u>Note</u>	<u>2018</u>	<u>2017</u>
<b>Revenues</b>			
Fees and service income	21	220,251	1,054,484
Interest on margin loans		254,744,759	223,360,584
Gains and return on financial instruments	22	23,072,984	20,421,276
Other incomes		66,836	103,512
<b>Total revenues</b>		<u>278,104,830</u>	<u>244,939,856</u>
<b>Expenses</b>			
Employee benefits expenses	23	64,935,272	59,482,027
Fees and service expenses		1,675,716	1,951,942
Finance costs		60,378,928	45,381,056
Bad debt and doubtful accounts (reversal)	9	(2,860,983)	7,982,472
Other expenses		38,369,561	38,027,762
<b>Total expenses</b>		<u>162,498,494</u>	<u>152,825,259</u>
<b>Profit before income tax</b>		115,606,336	92,114,597
Income tax expenses	24	(23,088,584)	(18,555,208)
<b>Profit for the year</b>		<u>92,517,752</u>	<u>73,559,389</u>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Gains (loss) on remeasuring available-for-sale investments	10.3	(315,733)	140,219
Income tax relating to items that will not be reclassified subsequently to profit or loss	24	63,147	(28,044)
Items that will be reclassified subsequently to profit or loss - net of income tax		<u>(252,586)</u>	<u>112,175</u>
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial gains on defined benefit plan	26.2	-	1,635,137
Income tax relating to Items that will not be reclassified subsequently to profit or loss	24	-	(327,027)
Items that will not be reclassified subsequently to profit or loss - net of income tax		-	<u>1,308,110</u>
<b>Other comprehensive income for the year</b>		<u>(252,586)</u>	<u>1,420,285</u>
<b>Total comprehensive income for the year</b>		<u>92,265,166</u>	<u>74,979,674</u>
<b>Basic earnings per share</b>			
Profit for the year	25	<u>0.60</u>	<u>0.47</u>

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



(Mrs. Araya Yommana)

Director



(Miss Malaiporn Pornlert)

Assistant Vice President of  
Finance and Budget Department

**TSFC Securities Public Company Limited**  
**Statement of changes in owners' equity**  
**For the year ended 31 December 2018**

	Note	Issued and paid-up share capital	Retained earnings		Other components of owner's equity	Total owners' equity
			Appropriated	Unappropriated		
<b>Balance as at 1 January 2017</b>		1,549,125,840	17,934,270	67,190,417	(2,832)	1,634,247,695
<u>Change during the year</u>						
Profit for the year		-	-	73,559,389	-	73,559,389
Other comprehensive income for the year		-	-	1,308,110	112,175	1,420,285
Total comprehensive income for the year		-	-	74,867,499	112,175	74,979,674
Appropriation of retained earnings	19	-	3,677,970	(3,677,970)	-	-
Dividend paid	20	-	-	(23,236,887)	-	(23,236,887)
<b>Balance as at 31 December 2017</b>		1,549,125,840	21,612,240	115,143,059	109,343	1,685,990,482
<b>Balance as at 1 January 2018</b>		1,549,125,840	21,612,240	115,143,059	109,343	1,685,990,482
<u>Change during the year</u>						
Profit for the year		-	-	92,517,752	-	92,517,752
Other comprehensive income for the year		-	-	-	(252,586)	(252,586)
Total comprehensive income for the year		-	-	92,517,752	(252,586)	92,265,166
Appropriation of retained earnings	19	-	4,625,887	(4,625,887)	-	-
Dividend paid	20	-	-	(30,982,517)	-	(30,982,517)
<b>Balance as at 31 December 2018</b>		1,549,125,840	26,238,127	172,052,407	(143,243)	1,747,273,131

(Unit: Baht)

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

TSFC Securities Public Company Limited

Statement of cash flows

For the year ended 31 December 2018

	(Unit: Baht)	
	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Profit before income tax	115,606,336	92,114,597
Adjustments to reconcile profit before tax to net cash provided by (paid for) operating activities:		
Depreciation and amortisation	4,399,113	5,564,635
Bad debts and doubtful accounts (reversal)	(2,860,983)	7,982,472
Gain from investments	(42,808)	(63,706)
Gain (loss) on disposal equipments	6,291	(24,876)
Finance costs	60,378,928	45,381,056
Interest and dividend income	(23,030,176)	(20,357,570)
Interest on margin loans	(254,744,759)	(223,360,584)
Long-term employee benefits expenses	1,860,425	2,622,491
Loss from operating activities before changes in operating assets and liabilities	(98,427,633)	(90,141,485)
Decrease (increase) in operating assets		
Securities purchased under resale agreements	300,000,000	(300,000,000)
Receivables from Clearing House	41,228,328	(33,055,044)
Securities business receivables	(1,819,626)	(534,065,230)
Investments	(1,908,063)	(3,861,517)
Loans to financial institutions	(500,000,000)	50,093,722
Other assets	318,014	(1,072,237)
Increase (decrease) in operating liabilities		
Borrowings from financial institutions	427,067,242	937,876,862
Payables to Clearing House	(18,377,077)	(42,098,346)
Securities business payables	(76,712,915)	(33,965,164)
Short-term debt issued and borrowings	(73,217,539)	250,807,186
Cash paid for long-term employee benefits	(862,050)	-
Other liabilities	3,162,809	2,064,734
Net cash flows from operating activities	451,490	202,583,481
Cash received from interest income	17,867,031	15,097,754
Cash paid for interest expenses	(58,784,869)	(44,834,494)
Cash paid for corporate income tax	(21,124,168)	(13,414,697)
<b>Net cash flows from (used in) operating activities</b>	<u>(61,590,516)</u>	<u>159,432,044</u>

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

**TSFC Securities Public Company Limited****Statement of cash flows (continued)**

For the year ended 31 December 2018

	(Unit: Baht)	
	<u>2018</u>	<u>2017</u>
<b>Cash flows from investing activities</b>		
Cash paid for purchase of available for-sale investments	(463,606,700)	(1,306,558,163)
Cash received from disposal available for-sale investments	549,915,306	1,174,161,368
Cash received from interest on investments	5,292,987	4,679,596
Cash paid for purchases of other investments	(256,800)	-
Cash received from disposal equipments	-	25,000
Cash paid for purchases of equipment	(883,331)	(395,015)
Cash paid for purchase of intangible assets	(301,473)	(3,201,654)
<b>Net cash flows from (used in) investing activities</b>	<u>90,159,989</u>	<u>(131,288,868)</u>
<b>Cash flows from financial activities</b>		
Dividends paid	(30,982,517)	(23,236,887)
Cash paid for liabilities under finance lease agreements	(654,576)	(363,008)
<b>Net cash flows used in financial activities</b>	<u>(31,637,093)</u>	<u>(23,599,895)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(3,067,620)</u>	<u>4,543,281</u>
Cash and cash equivalents at beginning of year	5,190,496	647,215
<b>Cash and cash equivalents at end of year (Note 6)</b>	<u><u>2,122,876</u></u>	<u><u>5,190,496</u></u>

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

## **TSFC Securities Public Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2018**

#### **1. General information**

TSFC Securities Public Company Limited (hereinafter referred to as “the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in securities business and has two business licenses to engage in granting credits to securities business and securities borrowing and lending business. Its registered address is located at No. 898, Ploenchit Tower, 10th Floor, Ploenchit Road, Lumpini, Patumwan, Bangkok.

#### **2. Basis of preparation**

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act. B.E. 2547, and reference to the principles stipulated by of the Office of the Securities and Exchange Commission (“SEC”). The presentation of the financial statements has been made in compliance with the requirement of the Notification of the Office of the SEC relating to the format of the financial statements of securities companies (version 2), No. SorThor. 22/2559 dated 2 June 2016.

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

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

#### **3. New financial reporting standards**

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

During the year, the Company has adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements.

**(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019**

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company believes that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

**TFRS 15 Revenue from Contracts with Customers**

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

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

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

The management of the Company believes that this standard will not have any significant impact on the financial statements when it is initially applied.

**(c) Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020**

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

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

The management of the Company is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

**4. Significant accounting policies**

**4.1 Revenue and expenses recognition**

**a) Revenue recognition**

The Company recognises interest income on loans and receivables on an accrual basis, based on the amount principal outstanding, except for interest on loans to and amounts receivable from financial institutions and securities companies which are overdue more than 90 days where income is recognised on the basis of the amount collected.

The Company ceases recognising income from securities business loans on an accrual basis when there is uncertainty as to the collectability of the loans and interest.

In the following cases collectability of loans and interest is held to be uncertain.

- (1) Loans are not fully collateralised.
- (2) Installment loans with repayments scheduled no more than 3 months for each installment, which principal or interest is overdue more than 3 months.
- (3) Installment loans with repayments scheduled no less than 3 months for each installment, unless there is clear evidence and a high degree of certainty that full repayment will be received.
- (4) Problem financial institutions debtors.
- (5) Other receivables of which interest payment is overdue 3 months or more.

These conditions are based on the guidelines stipulated by the Office of the Securities and Exchange Commission.

The Company recognises interest income on securities on an accrual basis. Dividends are recognised as income when the right to receive the dividends is established.

Gain (loss) on trading in securities is recognised as income/expense on the transaction dates.

The Company recognises the surcharges on the collection basis for securities purchased under resale agreements which are not repurchased under the conditions.

Fees and services income is recognised on an accrual basis.

b) Expenses recognition

The Company recognises expenses on an accrual basis.

#### **4.2 Cash and cash equivalents**

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



#### **4.3 Recognition and amortisation of customers assets**

Cash received from customers of credit balance accounts are recorded as assets and liabilities of the Company for the internal control purposes. At the end of the reporting period, the Company excludes these amounts from both assets and liabilities and presents only the assets which belong to the Company.

#### **4.4 Securities borrowing and lending**

The Company records its obligations to return borrowed securities which it has been sold as short selling or lent as "Securities borrowing and lending payables" and securities lent to customers are recorded as "Securities borrowing and lending receivables" in the statements of financial position. At the end of the reporting period, the balance of "Securities borrowing and lending payables" and "Securities borrowing and lending receivables" are adjusted based on the closing price quoted on the Stock Exchange of Thailand of the last working day of the reporting period. In addition, the Company records cash paid as collateral for securities borrowing as "Collateral receivables" and cash received as collateral for securities lending as "Collateral payables".

Fees from borrowing and lending are recognised on an accrual basis over the term of the lending.

#### **4.5 Securities purchased under resale agreements**

The Company enters into purchase of securities under agreements to resale securities at certain dates in the future at a fixed price. Securities purchased under resale agreements presented as assets in the statements of financial position are stated at amounts paid for the purchase of those securities.

The difference between the purchase and sale considerations is recognised on an accrual basis over the period of the transaction and is included in interest income.

#### **4.6 Receivables from Clearing House**

Receivables from Clearing House comprises the net receivable from Thailand Clearing House (TCH) for settlement of equity securities trades made through the Stock Exchange of Thailand.

#### **4.7 Securities business receivables**

Securities business receivables are the net balances of securities business receivables after deducting allowance for doubtful accounts.

In addition, securities business receivables include customer trading transactions during the last 2 days (2017: the last 3 days) of the accounting period, for which settlement was not yet due as at the end of reporting period, credit balance accounts, securities borrowings and lending receivables, collateral receivables (which comprise cash pledged as security with securities lenders) and other receivables such as securities receivables which are the subject of legal proceedings, are undergoing restructuring or are being settled in installments.

#### **4.8 Allowance for doubtful accounts**

The allowance for doubtful accounts is based on management's evaluation of the adequacy of the reserve for doubtful accounts of each account. The evaluation encompasses consideration of past collection experience and other factors such as collection risk and the value of the collateral, including the change in composition and volume of receivables and the relationship of the reserve to the portfolio and local economic conditions and compliance with the Office of the Securities and Exchange Commission's notification regarding the accounting for sub-standard loans of securities companies which undertake the granting of credits to securities businesses.

#### **4.9 Investments**

- a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.
- b) Investments in debt securities which expected to be held to maturity are recorded at amortised cost. The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.
- c) Investment in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment loss (if any).

The fair value of debt instruments is determined based on yield rates quoted by the Thai Bond Market Association as at the last working day of the reporting period. The fair value of unit trusts is determined from their net asset value as at the end of reporting period.

The weighted average method is used for computation of the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

#### **4.10 Equipment and depreciation**

Equipment is stated at cost less accumulated depreciation. Depreciation is provided for all equipment using the straight-line basis over the estimated useful lives as follows:

Leasehold improvement	5 - 6 years
Office equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	5 years

Depreciation is included in determining income.

Expenditures for additions, renewals and betterments, which result in a substantial increase in an asset's current replacement value, are capitalised. Repair and maintenance costs are recognised as an expense when incurred.

#### **4.11 Intangible assets and amortisation**

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

Intangible assets with finite lives are as follows:

Computer software	5 years
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#### **4.12 Impairment of assets**

At the end of each reporting period, the Company performs impairment reviews in respect of the equipment and intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

#### **4.13 Long-term leases**

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases is depreciated over the useful life of the asset.

Leases of building or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

#### **4.14 Payables to Clearing House**

Payables to Clearing House comprises the net payable to Thailand Clearing House (TCH) for settlement of equity securities trades made through the Stock Exchange of Thailand.

#### **4.15 Securities business payables**

Securities business payables are the obligations of the Company in respect of its securities business with outside parties, such as customer trading transactions during the last 2 days (2017: the last 3 days) of the accounting period, for which settlement was not yet due as at the end of reporting period, securities delivery obligations as a result of securities borrowing, and obligations to return assets held by the Company as collateral for securities lending.

#### **4.16 Employee benefits**

##### ***Short-term employee benefits***

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

##### ***Post-employment benefits***

###### *Defined contribution plans*

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

### *Defined benefit plans*

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

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

### **4.17 Provisions**

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

### **4.18 Income tax**

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

#### **Current tax**

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

#### **Deferred tax**

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

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

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

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

#### **4.19 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company applies a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company measures fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

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

- Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs such as estimates of future cash flows

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

#### **4.20 Related party transactions**

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

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

## 5. Significant accounting judgements and estimates

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

### ***Recognition and derecognition of assets and liabilities***

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgement on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

### ***Allowance for doubtful accounts for loans and securities business receivables***

Allowances for doubtful accounts for loans and securities business receivables are intended to adjust the values of loans and receivables for probable credit losses. The management uses judgement to establish reserves for estimated losses of each outstanding loan and securities business receivable by taking into account collection risk and the value of the security used as collateral. However, the use of different estimates and assumptions could affect the amounts of allowances for doubtful accounts and adjustments to the allowances may therefore be required in the future.

### ***Equipment/Depreciation***

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

In addition, the management is required to review equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

### ***Intangible assets***

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

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

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

#### **6. Cash and cash equivalents**

	(Unit: Thousand Baht)	
	2018	2017
Cash	30	30
Saving and current deposits	91,206	33,271
Less: Deposits for customers' account	(89,113)	(28,111)
Total cash and cash equivalents	<u>2,123</u>	<u>5,190</u>

#### **Supplemental cash flows information**

	(Unit: Thousand Baht)	
	2018	2017
Non-cash items		
Decrease in payable from purchases of intangible assets	-	3,050
Purchases of assets under finance lease agreements	2,430	-
Gain (loss) on remeasuring available-for-sale investments	(316)	140
Actuarial gains on defined benefit plan	-	1,635

#### **7. Securities purchased under resale agreements**

	(Unit: Thousand Baht)	
	2018	2017
Equity securities	-	300,000
Add: Accrued interest income	-	91
Total	<u>-</u>	<u>300,091</u>



## 8. Securities business receivables

(Unit: Thousand Baht)

	2018	2017
Customers' accounts - credit balance	3,665,450	3,405,950
Other receivables	188,952	205,262
<b>Total</b>	<b>3,854,402</b>	<b>3,611,212</b>
Add: Accrued interest income	194	129
Less: Allowance for doubtful accounts	(189,091)	(205,262)
<b>Securities business receivables</b>	<b>3,665,505</b>	<b>3,406,079</b>

8.1 As at 31 December 2018, the Company had discontinued recognising income from securities business receivables with total outstanding balances of approximately Baht 189.0 million (2017: Baht 196.6 million).

8.2 As at 31 December 2018 and 2017, the Company has classified securities business receivables according with the Notification of the Office of the Securities and Exchange Commission governing accounting for doubtful debts of securities companies. The Company classified securities business receivables as follows:

	2018			2017		
	Securities business receivables	Allowance for doubtful accounts set up by the Company	Net securities business receivables after allowance for doubtful accounts	Securities business receivables	Allowance for doubtful accounts set up by the Company	Net securities business receivables after allowance for doubtful accounts
Normal debt	3,665	-	3,665	3,415	(9)	3,406
Doubtful debt	189	(189)	-	196	(196)	-
<b>Total</b>	<b>3,854</b>	<b>(189)</b>	<b>3,665</b>	<b>3,611</b>	<b>(205)</b>	<b>3,406</b>

## 9. Allowance for doubtful accounts

Movements of allowance for doubtful accounts for loans to financial institutions and securities business receivables are summarised below.

	2018			2017		
	Normal debt	Doubtful debt	Total	Normal debt	Doubtful debt	Total
	Balance - beginning of the year	11,698	308,446	320,144	3,622	347,128
Doubtful accounts	(8,698)	8,837	139	8,076	-	8,076
Bad debt recoverable	-	(3,000)	(3,000)	-	(94)	(94)
Bad debt write-off	-	(13,310)	(13,310)	-	(38,588)	(38,588)
Balance - end of the year	3,000	300,973*	303,973	11,698	308,446	320,144

\* Allowance for doubtful accounts amounting to Baht 301 million comprised the following.

- Baht 263 million prior to the completion of the Company's capital restructuring on 24 July 2009
- Baht 29 million during 2010 - 2014
- No transaction in 2015 - 2017
- Baht 9 million was transferred from normal debt during 2018

## 10. Investments

### 10.1 Cost and fair value

	2018		2017	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
	<b>Available-for-sale securities</b>			
<b>Debt securities</b>				
Government bonds	394,156	393,971	349,485	349,615
Add (less): Allowance for revaluation of securities	(185)	-	130	-
Less: Government securities for customers' account	(224,266)	(224,266)	(95,238)	(95,238)
<b>Total debt securities</b>	<b>169,705</b>	<b>169,705</b>	<b>254,377</b>	<b>254,377</b>
<b>Unit trusts</b>				
Equity fund	10	16	10	17
Add: Allowance for revaluation of securities	6	-	7	-
<b>Total unit trusts</b>	<b>16</b>	<b>16</b>	<b>17</b>	<b>17</b>
<b>Total available-for-sale securities</b>	<b>169,721</b>	<b>169,721</b>	<b>254,394</b>	<b>254,394</b>

(Unit: Thousand Baht)

	2018		2017	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
	<b>Other investments</b>			
Equity securities	257		-	
Total other investments	257		-	
Total investments	169,978		254,394	

### 10.2 Investments in debt securities classified by the remaining year to maturities of contracts

(Unit: Thousand Baht)

	2018				2017			
	Not over		Over		Not over		Over	
	1 year	1 - 5 years	5 years	Total	1 year	1 - 5 years	5 years	Total
Available-for-sale								
debt securities	299,343	94,628	-	393,971	349,615	-	-	349,615
Total	299,343	94,628	-	393,971	349,615	-	-	349,615

### 10.3 Gain (loss) on remeasuring available-for-sale investments

(Unit: Thousand Baht)

	2018	2017
Balance - beginning of the year		
(net of income tax)	109	(3)
Changes during the year		
- from revaluation (before net of income tax)	(316)	140
- income tax	63	(28)
Balance - end of the year	(144)	109

## 11. Loans

(Unit: Thousand Baht)

	2018	2017
At call	161,882	311,882
Not over 1 year	750,000	100,000
Total	911,882	411,882
Add: Accrued interest income	110	105
Less: Allowance for doubtful accounts	(114,882)	(114,882)
Total loans	<u>797,110</u>	<u>297,105</u>

Loans are unsecured loans.

As at 31 December 2018, the Company had discontinued recognising income from 4 debtors from loans to financial institutions of approximately Baht 112 million (2017: Baht 112 million). These comprise of transactions with problem financial institutions which were ordered to discontinue their operations by the Ministry of Finance on 8 December 1997.

## 12. Equipment

(Unit: Thousand Baht)

	Leasehold improvement	Office equipment	Furniture and fixtures	Motor vehicles	Total
<b>Cost</b>					
1 January 2017	25,101	20,392	4,386	3,190	53,069
Additions	26	369	-	-	395
Disposals	-	(3,466)	(8)	-	(3,474)
31 December 2017	25,127	17,295	4,378	3,190	49,990
Additions	-	73	-	3,240	3,313
Disposals	-	(44)	-	-	(44)
31 December 2018	<u>25,127</u>	<u>17,324</u>	<u>4,378</u>	<u>6,430</u>	<u>53,259</u>
<b>Accumulated depreciation</b>					
1 January 2017	25,101	17,804	4,363	445	47,713
Depreciation for the year	1	874	8	638	1,521
Depreciation on disposals	-	(3,466)	(8)	-	(3,474)
31 December 2017	25,102	15,212	4,363	1,083	45,760
Depreciation for the year	5	805	6	1,062	1,878
Depreciation on disposals	-	(38)	-	-	(38)
31 December 2018	<u>25,107</u>	<u>15,979</u>	<u>4,369</u>	<u>2,145</u>	<u>47,600</u>

	(Unit: Thousand Baht)				
	Leasehold improvement	Office equipment	Furniture and fixtures	Motor vehicles	Total
<b>Net book value</b>					
31 December 2017	25	2,083	15	2,107	4,230
31 December 2018	20	1,345	9	4,285	5,659
<b>Depreciation charge included in the statements of comprehensive income for the year ended 31 December</b>					
2017					1,521
2018					1,878

As at 31 December 2018, the Company had motor vehicles with net book value of Baht 4.3 million (2017: Baht 2.1 million) which were acquired under finance lease agreements.

As at 31 December 2018, certain fixed assets items have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 42.8 million (2017: Baht 42.5 million).

### 13. Intangible assets

	(Unit: Thousand Baht)			
	2017	Additions	Amortised	2018
Computer software	5,831	302	(2,521)	3,612

	(Unit: Thousand Baht)			
	2016	Additions	Amortised	2017
Computer software	9,723	152	(4,044)	5,831

### 14. Other assets

	(Unit: Thousand Baht)	
	2018	2017
Deposits	3,140	3,728
Prepaid expenses	2,910	2,555
Others	946	1,075
Total other assets	6,996	7,358

## 15. Borrowings from financial institutions

(Unit: Thousand Baht)

	2018				2017			
	Interest rate (% per annum)	Due period			Interest rate (% per annum)	Due period		
		Not over 1 year	1 - 5 years	Total		Not over 1 year	1 - 5 years	Total
Promissory notes	1.50 - 2.55	2,225,000	-	2,225,000	1.50 - 2.45	1,748,000	-	1,748,000
Bills of exchange	2.65	9,944	-	9,944	2.60	59,877	-	59,877
Total borrowings from financial institutions		<u>2,234,944</u>	<u>-</u>	<u>2,234,944</u>		<u>1,807,877</u>	<u>-</u>	<u>1,807,877</u>

The borrowings from financial institutions are unsecured loans.

The loan agreements contain covenants that, among other things, require the Company to maintain net capital ratios in the agreements.

## 16. Debt issued and borrowings

(Unit: Thousand Baht)

	2018				2017			
	Interest rate (% per annum)	Due period			Interest rate (% per annum)	Due period		
		Not over 1 year	1 - 5 years	Total		Not over 1 year	1 - 5 years	Total
Promissory notes	1.85 - 2.60	310,989	-	310,989	2.40 - 2.60	415,000	-	415,000
Bills of exchange	2.25 - 2.40	204,284	-	204,284	2.00 - 2.25	223,491	-	223,491
Debentures	2.50 - 2.65	50,000	-	50,000	-	-	-	-
Total		<u>565,273</u>	<u>-</u>	<u>565,273</u>		<u>638,491</u>	<u>-</u>	<u>638,491</u>

Debt issued and borrowings are unsecured loans.

## 17. Other liabilities

(Unit: Thousand Baht)

	2018	2017
Interest payable	2,204	610
Accrued expenses	14,004	10,755
Withholding tax payable	302	395
Specific business tax payable	681	644
Other payables	927	1,025
Liabilities under finance lease agreements	3,085	1,309
Others	94	26
Total other liabilities	<u>21,297</u>	<u>14,764</u>

The Company has entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally 5 years.

Future minimum lease payments required under the finance lease agreements were as follows:

	(Unit: Thousand Baht)		
	2018		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	1,027	2,596	3,623
Deferred interest expenses	(219)	(319)	(538)
Present value of future minimum lease payments	808	2,277	3,085

	(Unit: Thousand Baht)		
	2017		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	432	1,044	1,476
Deferred interest expenses	(60)	(107)	(167)
Present value of future minimum lease payments	372	937	1,309

## 18. Share capital

	2018		2017	
	Number		Number	
	of shares	Amount	of shares	Amount
	(Thousand	(Thousand	(Thousand	(Thousand
	shares)	Baht)	shares)	Baht)
Registered share capital				
(Par value at Baht 10 each)	154,913	1,549,126	154,913	1,549,126
Issued and paid-up share capital				
(Par value at Baht 10 each)	154,913	1,549,126	154,913	1,549,126

## 19. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5% of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

## 20. Dividends

Dividend	Approved by	Total dividend (Thousand Baht)	Dividend per share (Baht)
Dividend for the year 2016	Annual General Meeting of the shareholders on 20 April 2017	23,237	0.15
Total for 2017		<u>23,237</u>	<u>0.15</u>
Dividend for the year 2017	Annual General Meeting of the shareholders on 20 April 2018	30,983	0.20
Total for 2018		<u>30,983</u>	<u>0.20</u>

## 21. Fees and services income

(Unit: Thousand Baht)

	2018	2017
Securities borrowing and lending income	16	70
Front end fee income	204	984
Total	<u>220</u>	<u>1,054</u>

## 22. Gains and return on financial instruments

(Unit: Thousand Baht)

	2018	2017
Gains on securities	43	64
Interest and dividend income	23,030	20,357
Total	<u>23,073</u>	<u>20,421</u>



### 23. Directors and management's benefits

During the years, the Company had salaries, bonuses, meeting allowances, post-employee benefits, gratuities of their directors and management, which were as follows:

(Unit: Thousand Baht)

	2018	2017
Short-term employee benefits	26,868	26,251
Post-employment benefits	3,102	2,463
Total	<u>29,970</u>	<u>28,714</u>

### 24. Income tax

Income tax expenses for the years ended 31 December 2018 and 2017 are made up as follows:

(Unit: Thousand Baht)

	2018	2017
<b>Current income tax:</b>		
Current income tax charge	21,580	17,634
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	1,509	921
<b>Income tax expenses reported in the statements of comprehensive income</b>	<u>23,089</u>	<u>18,555</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

(Unit: Thousand Baht)

	2018	2017
Deferred tax relating to		
Loss (gain) on change in value of available-for-sale investments	63	(28)
Actuarial gains	-	(327)
	<u>63</u>	<u>(355)</u>

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

	(Unit: Thousand Baht)	
	2018	2017
Accounting profit before tax	115,606	92,115
Applicable tax rate	20%	20%
Accounting profit before tax multiplied by income tax rate	23,121	18,423
Effects of:		
Non-deductible expenses	138	179
Additional expense deductions allowed	(170)	(47)
Income tax expenses reported in statements of comprehensive income	23,089	18,555

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

	(Unit: Thousand Baht)	
	2018	2017
<b>Deferred tax assets</b>		
Accumulated amortisation - computer software	5,242	6,951
Provision for long-term employee benefits	2,937	2,737
Unrealised loss from revaluation of available-for-sale investments	36	-
Total	8,215	9,688
<b>Deferred tax liabilities</b>		
Unrealised gain from revaluation of available-for-sale investments	-	28
Total	-	28
<b>Deferred tax assets - net</b>	8,215	9,660

## 25. Earnings per share

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

	2018	2017
Profit for the year (Baht)	92,517,752	73,559,389
Weighted average number of ordinary shares (shares)	154,912,584	154,912,584
Earnings per share (Baht/share)	0.60	0.47

## 26. Post-employment benefits

### 26.1 Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The fund is monthly contributed to by employees, at the rate which is not less than 2% of their basic salaries but not more than the amount contributed by the Company, and by the Company at the rates of 3% to 10% of basic salaries. It will be paid to employees upon termination in accordance with the rules of the fund. The fund is managed by BBL Asset Management Company Limited and Finansa Asset Management Limited. The contributions for the year ended 31 December 2018 amounting to approximately Baht 3.3 million (2017: Baht 3.2 million) were recognised as expenses.

### 26.2 Provision for long-term employee benefits

Provision for long-term employee benefits presented as provisions in the statements of financial position, which from compensation payable to employees after they retire, was as follows:

	(Unit: Thousand Baht)	
	2018	2017
<b>Provision for long-term employee benefits at beginning of year</b>	13,686	12,699
Included in profit or loss:		
Current service cost	1,555	2,259
Interest cost	306	363
Included in other comprehensive income:		
Actuarial gain arising from		
Demographic assumptions changes	-	2,066
Financial assumptions changes	-	354
Experience adjustments	-	(4,055)
Benefits paid during the year	(862)	-
<b>Provision for long-term employee benefits at end of year</b>	<b>14,685</b>	<b>13,686</b>

Long-term employee benefit expenses included in personnel expenses in the profit or loss.

As at 31 December 2017, the Company expected to pay Baht 0.9 million of long-term employee benefits during the next year (2018: Nil).

As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefit is 11 years (2017: 11 years).

Significant actuarial assumptions are summarised below:

	(Unit: % per annum)	
	2018	2017
Discount rate	2.34	2.34
Salary increase rate	5.00	5.00
Turnover rate	0.00 - 11.00	0.00 - 11.00

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2018 and 2017 are summarised below:

2018				
	Increase	Effect to provision for long-term employee benefits	Decrease	Effect to provision for long-term employee benefits
	(%)	(Thousand Baht)	(%)	(Thousand Baht)
Discount rate	1%	(1,231)	1%	1,393
Salary increase rate	1%	1,580	1%	(1,414)
Turnover rate	1%	(1,311)	1%	846
2017				
	Increase	Effect to provision for long-term employee benefits	Decrease	Effect to provision for long-term employee benefits
	(%)	(Thousand Baht)	(%)	(Thousand Baht)
Discount rate	1%	(1,152)	1%	1,310
Salary increase rate	1%	1,332	1%	(1,194)
Turnover rate	1%	(1,224)	1%	834

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive not less than 400 days' compensation at the latest wage rate. This change is considered a post-employment benefits plan amendment and the Company have additional liabilities for long-term employee benefits of Baht 3.7 million. The Company will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective.

## 27. Operating lease commitments

The Company had entered into several operating lease agreements in respect of the lease of area in the building, equipment, motor vehicles and service agreements. The terms of the agreements are generally between 1 year and 4 years.

As of 31 December 2018 and 2017, future minimum lease payments required under operating lease agreements were as follows:

	(Unit: Million Baht)	
	2018	2017
Payable:		
In up to 1 year	1.4	11.2
In over 1 and up to 4 years	2.6	0.5

## 28. Fair value hierarchy

As of 31 December 2018 and 2017, the Company had the following assets that were measured at fair value using different levels of inputs as follows:

	(Unit: Thousand Baht)			
	2018			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Available-for-sale investments				
Debt securities*	-	393,971	-	393,971
Unit trusts	-	16	-	16
<b>Asset for which fair value are disclosed</b>				
Other investments				
Equity securities	-	-	257	257

\* Included government securities for customers' account amounting to Baht 224 million.

(Unit: Thousand Baht)

	2017			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Available-for-sale investments				
Debt securities*	-	349,615	-	349,615
Unit trusts	-	17	-	17

\* Included government securities for customers' account amounting to Baht 95 million.

## 29. Financial instruments

### 29.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, securities purchased under resale agreements, receivables from Clearing House, securities business receivables, investments, loans, borrowings from financial institutions, payables to Clearing House, securities business payables, debt issued and borrowings. The financial risks associated with these financial instruments and how they are managed in described below.

#### ***Credit risk***

The Company is exposed to credit risk primarily with respect to securities purchased under resale agreements, receivables from Clearing House, securities business receivables, investments in debt securities and loans. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer.

The investment in debt instruments is determined on the basis of the firm financial status of issuing institutions and their instruments being rated at acceptable rating by the reputable credit rating agencies.

The maximum exposure to credit risk is limited to the carrying amounts of securities purchased under resale agreements, receivables from Clearing House, securities business receivables, investments in debt securities and loans less allowance for losses as stated in the statements of financial position.

### Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, securities purchased under resale agreements, securities business receivables, investments in debt securities, loans, borrowings from financial institutions and debt issued and borrowings. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2018 and 2017 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

	2018							Interest rate (% per annum)
	Outstanding balances of financial instruments							
	Floating interest rate	Repricing or maturity dates				No interest	Total	
		At call	Within 1 year	1 - 5 years	Over 5 years			
<b>Financial assets</b>								
Cash and cash equivalents	-	-	-	-	-	2	2	-
Receivables from Clearing House	-	-	-	-	-	23	23	-
Securities business receivables	3,665	-	-	-	-	-	3,665	5.50 - 20.00
Investments in debt securities	-	-	75	95	-	-	170	1.53 - 1.87
Loans	-	47	750	-	-	-	797	3.00 - 4.25
<b>Financial liabilities</b>								
Borrowings from financial institutions	-	615	1,620	-	-	-	2,235	1.50 - 2.65
Payable to Clearing House	-	-	-	-	-	38	38	-
Securities business payables	-	-	-	-	-	51	51	-
Debt issued and borrowings	-	-	565	-	-	-	565	1.85 - 2.65

(Unit: Million Baht)

	2017							Interest rate (% per annum)
	Outstanding balances of financial instruments							
	Floating interest rate	Repricing or maturity dates				No interest	Total	
		At call	Within 1 year	1 - 5 years	Over 5 years			
<b>Financial assets</b>								
Cash and cash equivalents	-	-	-	-	-	5	5	-
Securities purchased under resale agreements	-	-	300	-	-	-	300	2.55
Receivables from Clearing House	-	-	-	-	-	65	65	-
Securities business receivables	3,404	-	-	2	-	-	3,406	5.75 - 20.00
Investments in debt securities	-	-	254	-	-	-	254	1.15 - 1.37
Loans	-	198	99	-	-	-	297	2.75 - 3.50
<b>Financial liabilities</b>								
Borrowings from financial institutions	-	593	1,215	-	-	-	1,808	1.50 - 2.60
Payables to Clearing House	-	-	-	-	-	57	57	-
Securities business payables	-	-	-	-	-	127	127	-
Debt issued and borrowings	-	-	638	-	-	-	638	2.00 - 2.60

## Liquidity risk

The periods of time from the statements of financial position date to the maturity dates of financial instruments as of 31 December 2018 and 2017 are as follows:

(Unit: Million Baht)

	2018					Total
	Outstanding balances of financial instruments					
	At call	Within 1 year	1 - 5 years	Over 5 years	No maturity	
<b>Financial assets</b>						
Cash and cash equivalents	2	-	-	-	-	2
Receivables from Clearing House	-	23	-	-	-	23
Securities business receivables	-	66	1	-	3,598	3,665
Investments in debt securities	-	75	95	-	-	170
Loans	47	750	-	-	-	797
<b>Financial liabilities</b>						
Borrowings from financial institutions	615	1,620	-	-	-	2,235
Payable to Clearing House	-	38	-	-	-	38
Securities business payables	-	51	-	-	-	51
Debt issued and borrowings	-	565	-	-	-	565

(Unit: Million Baht)

	2017					Total
	Outstanding balances of financial instruments					
	At call	Within 1 year	1 - 5 years	Over 5 years	No maturity	
<b>Financial assets</b>						
Cash and cash equivalents	5	-	-	-	-	5
Securities purchased under resale agreements	-	300	-	-	-	300
Receivables from Clearing House	-	65	-	-	-	65
Securities business receivables	-	121	2	-	3,283	3,406
Investments in debt securities	-	254	-	-	-	254
Loans	198	99	-	-	-	297
<b>Financial liabilities</b>						
Borrowings from financial institutions	593	1,215	-	-	-	1,808
Payables to Clearing House	-	57	-	-	-	57
Securities business payables	-	127	-	-	-	127
Debt issued and borrowings	-	638	-	-	-	638



## **29.2 Fair values and financial instruments**

Since the majority of the Company's financial instruments are short-term in nature or carrying interest at rates close to the market interest rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.

During the current year, there were no transfers within the fair value level.

## **30. Capital management**

The primary objectives of the Company's capital management is to ensure that it has an appropriate financial structure, to preserve the ability to continue its business as a going concern and to maintain net capital in accordance with the rules laid down by the Office of the Securities and Exchange Commission.

## **31. Event after the reporting period**

On 25 February 2019, a meeting of the Company's Board of Directors passed a resolution to propose to the Annual General Meeting of the Company's shareholders for approval a dividend payment, from profit for the year 2018, to the shareholders of the Company's for 154.9 million ordinary shares, at a rate of Baht 0.25 per share, or a total of Baht 38.7 million, to be paid on 17 May 2019.

## **32. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2019.